

Internet

Solid Underlying Trends Amidst Choppy Environment for Internet; Favorite Names Remain FB, PCLN, GOOG, NFLX, P, LNKD

We expect solid 2Q results across the Internet space driven by ongoing improvements in mobile monetization and secular strength across online advertising, eCommerce, and online travel. Our coverage universe of 28 Internet names is down 5.9% on average YTD (+0.3% market-cap weighted) compared to the S&P 500 up 6.3%. Accordingly, our recent conversations with investors suggest more even expectations and a lack of conviction heading into 2Q results and the back half—a lot of wait and see. **We believe many transaction-driven companies are still working through the multi-year impact of the slowdown—and now likely decline—of Google desktop search, along with lower conversion rates from Google mobile.** That and an increasingly competitive Internet landscape are driving higher marketing spending and deleverage across certain names. However, we believe that is understood and mostly contemplated in estimates, and the Internet group overall is benefiting from ubiquitous access across devices and tightening of the gap between mobile monetization and time spent. **Our top picks overall are Facebook, Priceline, and Google among large-caps, and Netflix, Pandora, and LinkedIn among smid-caps. Neutral-rated names where we are more constructive on fundamentals include TripAdvisor and Twitter, while we remain cautious on Amazon.**

- **Facebook:** *Facebook remains our favorite idea in 2014. We recognize that advertising growth likely peaked in 1Q and comps are tougher over the next few quarters, but we believe it is still early in NewsFeed advertising with key drivers including increasing advertiser demand, ad quality, and click-through rates. Facebook's share of mobile time remains ~20% in the U.S., and higher if we were to include Instagram and WhatsApp.* 2Q advertising checks for Facebook have been positive, and we project Advertising revenue of \$2.65B (+66% Y/Y, +17% Q/Q), including \$1.64B from mobile (+23% Q/Q, 62% of total). Our total revenue of \$2.89B (+59% Y/Y, +15% Q/Q) is ~3% above consensus while our \$0.35 in PF EPS is ~9% ahead.
- **Priceline:** *Priceline remains our favorite name in online travel based on the combination of strong growth, profitability, and execution, along with very reasonable valuation—18.5x 2015E PF EPS.* We expect strong 2Q results as the company should benefit from accelerating RevPAR in both the U.S. and Europe, and high European occupancy rates. We project 33% FX-neutral International bookings growth in 2Q14. **Increased marketing spend is likely to drive 2Q deleverage—we project ~310 bps of Y/Y margin compression—but we believe Priceline will spend efficiently and into consumer strength, with top-line results showing up in 2Q and 3Q.**

Internet

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- **Google:** *We are positive on Google as we believe the mobile monetization gap with desktop should tighten over time, and mobile clicks with increasing pricing should soon become more of a tailwind for the business.* For 2Q14 we project 0.9% Q/Q growth in overall net revenue, 1.4% Q/Q growth in ad revenue, and 19.1% FX & hedging-neutral Y/Y revenue growth. ***We believe greater transparency around click volume and pricing across Google Sites and the Google Network will be positive, likely showing much more strength in Sites.*** Overall we project 23% Y/Y paid click growth and -4.6% Y/Y CPC growth. *We model 270 bps of Y/Y PF operating margin deleverage, partly related to Nest, but we believe Google's new expense base should be much better understood than it was 3 months ago at 1Q earnings.* We're also encouraged by the strong growth of PLAs and Google Play.
- **Netflix:** *Netflix is disrupting linear TV and we remain bullish on growth prospects both in the U.S. and in International markets.* For 2Q we project 522k Domestic Streaming net adds and we continue to believe the company will add more subs in the U.S. in 2014 than in 2013. ***However, there is likely greater near-term upside in International Streaming where we project 938k net adds in 2Q and 6.5M for the full year.*** With the addition of 6 new European markets later this year, including France and Germany, Netflix is increasing its International broadband household TAM by 60-70% and we believe the company is well-positioned to increase penetration based on its broad content selection, originals differentiation, and merchandising and marketing capabilities.
- **Pandora:** Sentiment has been mixed around Pandora, with greater concerns the last few months related to engagement and increasing competition. *We believe Pandora is on track to come in above our 2Q hours estimate of 4.983B even with a seasonally lighter June, as accelerating hours growth of 27.5% reflects the easier comp from the 40 hour cap a year ago.* And we believe Pandora's product and free value proposition for listeners remains extremely compelling even with more options from Spotify, Apple, and Beats. ***We look for accelerating growth in Mobile revenue in 2Q (+63% Y/Y) and 19% growth in Mobile RPM to \$38.83 on the tougher RPM comp from a year ago.*** We continue to believe Pandora is a strong pure-play on mobile advertising, and both monetization and profitability will improve in coming quarters on solid usage growth, reduced friction in the ad buying process, and sales force expansion.
- **LinkedIn:** If investor sentiment on Pandora has been mixed, it's been very weak around LinkedIn. ***However, we believe it sets up well for the back half of 2014.*** We are already seeing some stabilization in Talent Solutions growth and we look for greater benefits from deeper penetration of existing enterprises, early adoption of the Recruiter Lite product, and increased jobs postings. At 2Q earnings we believe LinkedIn could provide more of its own internal metrics which are likely more favorable around engagement than comScore data. *We look for accelerating growth (+40% Y/Y) in Marketing Solutions revenue in 2Q on increased adoption of Sponsored Content and a more favorable comp from a year ago.* We're also encouraged by the upcoming release of version 2.0 of Sales Navigator, which we expect to have 60-70% more functionality than the early version and will be more actively sold into corporates.

Equity Ratings and Price Targets

Company	Ticker	Mkt Cap (\$ mn)	Price (\$)	Rating		Price Target	
				Cur	Prev	Cur	Prev
Google	GOOG US	392,968.50	571.10	OW	n/c	645.00	n/c
Facebook	FB US	180,124.50	64.87	OW	n/c	80.00	n/c
Amazon.com	AMZN US	148,219.80	327.92	N	n/c	350.00	n/c
Priceline.com	PCLN US	64,961.97	1,216.13	OW	n/c	1,450.00	n/c
eBay, Inc	EBAY US	66,140.19	50.34	OW	n/c	56.00	n/c
Twitter, Inc.	TWTR US	27,030.37	37.84	N	n/c	42.00	n/c
Netflix Inc	NFLX US	26,004.59	438.55	OW	n/c	500.00	n/c
LinkedIn Corp	LNKD US	18,749.82	156.31	OW	n/c	235.00	n/c
TripAdvisor, Inc.	TRIP US	15,207.67	103.35	N	n/c	100.00	n/c
Expedia, Inc.	EXPE US	10,451.78	79.33	N	n/c	80.00	n/c
King Digital Entertainment	KING US	6,430.43	19.86	OW	n/c	30.00	n/c
Pandora Media Inc	P US	5,911.82	26.16	OW	n/c	41.00	n/c
Yelp Inc.	YELP US	4,928.25	70.91	OW	n/c	94.00	n/c
Groupon	GRPN US	3,597.26	6.50	N	n/c	10.00	n/c
HomeAway Inc	AWAY US	3,072.05	33.14	N	n/c	38.00	n/c
Zynga Inc	ZNGA US	2,652.46	3.12	N	n/c	—	n/c
Criteo	CRTO US	1,641.61	31.52	OW	n/c	44.00	n/c
OpenTable Inc	OPEN US	2,395.19	102.97	N	n/c	103.00	73.00
Trulia Inc.	TRLA US	1,512.95	40.21	OW	n/c	41.00	n/c
Bankrate Inc	RATE US	1,756.18	17.58	N	n/c	19.00	n/c
TrueCar Inc.	TRUE US	980.86	13.45	OW	n/c	19.00	n/c
Chegg, Inc.	CHGG US	550.42	6.50	OW	n/c	11.00	n/c
Everyday Health	EVDY US	538.80	17.99	N	n/c	16.00	n/c
Care.com	CRCM US	350.16	11.19	OW	n/c	20.00	n/c
ReachLocal	RLOC US	202.45	7.00	N	n/c	8.00	n/c

Source: Company data, Bloomberg, J.P. Morgan estimates. n/c = no change. All prices as of 10 Jul 14.

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Overweight

GOOG,GOOG US

Price: \$571.10

Price Target: \$645.00

United States

Internet

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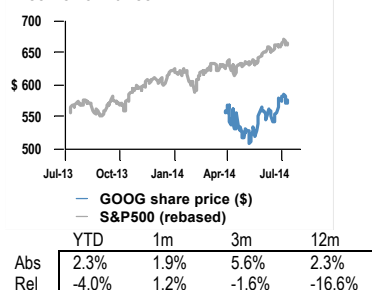
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Price Performance



Google

Thoughts into 2Q14 earnings

Expecting a Solid 2Q Driven by Strength in Mobile, PLAs, Google Play.

- Google reports 2Q14 earnings on Thursday, July 17th after the close with a 4:30pm EST call webcasted at www.investor.google.com/webcast.html. We expect Google to post solid 2Q revenue (\$12.3B, +21.9% Y/Y, in-line with consensus) driven by continued positive trends in paid search ad budgets from Enhanced Campaigns and PLAs, while mobile and display also remain strong. SEM checks through the quarter have been consistent with recent trends and we expect advertisers are still experimenting and optimizing Enhanced Campaign functionality, driving incremental benefits to pricing, even as we lap last summer's migration on July 22. We are optimistic about getting additional disclosure on sites/network growth of clicks and CPCs and we note that expense/margin expectations are more tempered after the inclusion of Nest in 1Q—we model 2Q PF EPS of \$5.97 (+13.1% Y/Y, vs. consensus of \$6.25). We also remain positive on YouTube as we believe advertiser demand builds with the platform's 1B+/month and growing audience and measurement progress continues.
- Google 2Q14 estimates.** We project 2Q net revenue of \$12.3B (+21.9% Y/Y, +0.9% Q/Q), in-line with consensus, including \$10.8B in net ad revenue (+19.2% Y/Y, +1.4% Q/Q) and Licensing & Other revenue of \$1.5B (+45.0% Y/Y, -2.4% Q/Q). We expect strength in Licensing & Other is driven by Google Play—Google noted that Play store payments to developers quadrupled in 2013 from 2012 and App Annie estimates Google Play quarterly app revenue more than doubled from 1Q13 to 1Q14. We believe these trends show encouraging strength in apps and Google's ability to monetize Android and potentially capture a greater share of app revenue. Within our \$15.7B gross revenue estimate (+19.5% Y/Y, +1.6% Q/Q), we project Websites gross revenue of \$10.7B (+21.0% Y/Y, +2.5% Q/Q) and Network Sites gross revenue of \$3.4B (+7.0% Y/Y, +0.6% Q/Q). **Our 2Q14 estimates call for +23.0% Y/Y paid click growth and a -4.6% Y/Y decline in CPCs.** We note that Google will start disclosing paid click and CPC growth for both of its Sites and Network businesses starting this quarter and we expect the data to skew more favorably towards Sites. We project Google PF operating income of \$4.9B (39.8% margin as % of net revenue), EBITDA of \$6.1B (49.6% margin) slightly below consensus of \$6.2B, and PF EPS of \$5.97 below consensus of \$6.25.

Overweight

Company Data

Price (\$)	571.10
Date Of Price	10 Jul 14
52-week Range (\$)	604.83-
	502.80
Market Cap (\$ mn)	392,968.50
Fiscal Year End	Dec
Shares O/S (mn)	688
Price Target (\$)	645.00
Price Target End Date	31-Dec-14

Google Inc (GOOG;GOOG US)

FYE Dec	2012A	2013A	2014E	2015E
EPS - Reported (\$)				
Q1 (Mar)	5.04	6.00	6.27A	-
Q2 (Jun)	5.11	5.28	5.97	-
Q3 (Sep)	4.74	5.86	6.50	-
Q4 (Dec)	5.55	6.77	7.51	-
FY	20.45	23.92	26.55	32.26
Bloomberg EPS FY (\$)	19.86	22.07	26.73	31.66

Source: Company data, Bloomberg, J.P. Morgan estimates.

- **Encouraging signs out of I/O.** Android was the center of Google's keynote presentation at its developer conference last month, and we are encouraged by continued progress in user growth, including: 1) Google's OS is now used by 1B+ 30-day active users as of June 2014 (up from 538M last June and 223M 2 years ago); 2) Android users send 20B text messages per day; and 3) Android tablets represent 62% of global tablet shipments (vs. 46% as of last June and 39% 2 years ago). The company's announcements focused on changes that encourage seamless connectivity across devices—mobile, chromebooks, watches, TVs, and autos—and contextually aware functionality such as expansion of app indexing for rich and efficient mobile search experiences and location-based tools and alerts. We are encouraged by the ecosystem Google is building with Android and expect the enhanced user and developer experience will provide network effects across Google's business, including benefits to Google Play and a tailwind to core search and advertising revenue.
- **What we'll be looking for.** 1) Widening gap between Sites and Network—we believe Network is less prominent in a mobile world across search and display and we expect Network pricing to be under pressure; 2) update on mobile tools including Enhanced Campaign (adoption of campaign modifiers and impact on pricing) and Enhanced Conversions; 3) momentum from Google Shopping / PLAs, especially on mobile; 4) Commentary on YouTube and impact from OCR tags—we estimate \$3.8B in YouTube gross revenue in 2013 and \$5.1B in 2014; 5) Commentary on potential benefit from enhancements announced at I/O and any updates on timing; and 6) margins, given recent compression (we're modeling 2Q EBITDA margin on net revenue of 49.5% vs. consensus of 50.3%, down from 51.9% in 2Q13), and capex, as GOOG builds out greater data center and international capacity (we're modeling 2Q capex of \$1.3B, 10.5% of net revenue, down from 16.0% of net revenue in 2Q13).

Maintaining Estimates

We are maintaining estimates, as shown below:

Table 1: J.P. Morgan Estimates vs. Consensus

J.P. Morgan Estimates	2Q14E	3Q14E	4Q14E	2014E	2015E
(\$ in millions except per share data)					
Google Inc Net Revenue	12,302	13,003	14,742	52,235	61,835
Y/Y Growth	21.9%	20.4%	18.8%	20.7%	18.4%
Q/Q Growth	0.9%	5.7%	13.4%		
Google Web Sites - Net	9,829	10,217	11,403	41,073	47,651
Y/Y Growth	20.4%	18.3%	17.2%	19.1%	16.0%
Q/Q Growth	2.1%	4.0%	11.6%		
Google Network Sites - Net	957	1,002	1,116	4,084	4,346
Y/Y Growth	8.0%	7.6%	7.7%	6.6%	6.4%
Q/Q Growth	-5.3%	4.7%	11.4%		
Other Revenue	1,517	1,784	2,223	7,078	9,838
Y/Y Growth	45.0%	45.0%	35.0%	42.4%	39.0%
Q/Q Growth	-2.4%	17.6%	24.7%		
EBITDA	6,087	6,532	7,434	26,093	31,431
% Margin - Gross	38.9%	39.8%	40.0%	39.5%	40.6%
% Margin - Net	49.5%	50.2%	50.4%	50.0%	50.8%
PF EPS	\$5.97	\$6.50	\$7.51	\$26.55	\$32.26
Y/Y Growth	13.1%	10.8%	10.9%	11.0%	21.5%
Bloomberg Consensus					
Google Inc Net Revenue	12,328	12,972	14,789	52,312	62,030
EBITDA	6,205	6,573	7,450	26,236	31,223
Pro forma EPS	\$6.25	\$6.64	\$7.62	\$26.74	\$31.67

Source: J.P. Morgan estimates, Bloomberg.

Investment Thesis, Valuation and Risks

Google (Overweight; Price Target: \$645.00)

Investment Thesis

Overall, we continue to believe Google fundamentals are strong. The Paid Clicks and CPC divergence is tightening, but more importantly we are projecting organic gross revenue to grow ~20% in 2014. Core search growth remains solid, and Google is now getting significant lift from display and mobile, which we forecast to combine for nearly 40% of gross revenue in 2014. We are encouraged by the growth potential driven by mobile and display, Enhanced Campaigns, Estimated Total Conversions, and PLAs.

Valuation

Our Dec 2014 price target is \$645 and is based on 20x our 2015E PF EPS estimate of \$32.26. At 20x 2015E PF EPS, Google's PEG ratio is ~1x, which is in line with

large-cap Internet peers. We believe shares of Google should trade at a premium to the S&P 500 P/E, which trades at ~15x 2015 estimates, as Google is one of the few companies in the S&P 500 growing revenue and EPS above a 2012-2015E CAGR of ~15-20%.

Risks to Rating and Price Target

Downside risks include 1) potential for a return to heavy investment spending and margin compression; 2) continued competition for engineering talent; and 3) increased regulatory scrutiny.

Google: Summary of Financials

Income Statement - Annual	FY13A	FY14E	FY15E	FY16E	Income Statement - Quarterly	1Q14A	2Q14E	3Q14E	4Q14E
Gross Revenues		68,755			Gross Revenues	-	-	-	-
Revenues	43,293	52,235	61,835	71,349	Revenues	12,188A	12,302	13,003	14,742
Operating income	15,434	17,518	21,903	26,283	Operating income	4,115A	3,974	4,343	5,086
D&A	3,939	4,733	5,200	5,633	D&A	1,086A	1,191	1,214	1,243
EBITDA	19,373	22,251	27,103	31,916	EBITDA	5,201A	5,164	5,557	6,329
Net interest income / (expense)	-	-	-	-	Net interest income / (expense)	-	-	-	-
Other income / (expense)	530	953	1,381	1,869	Other income / (expense)	357A	169	204	223
Pretax income	15,964	18,471	23,284	28,152	Pretax income	4,472A	4,142	4,547	5,309
Income taxes	(2,349)	(3,482)	(4,307)	(5,208)	Income taxes	(822)A	(787)	(864)	(1,009)
Net Income	13,615	14,989	18,976	22,944	Net Income	3,650A	3,355	3,683	4,300
Weighted average diluted shares	678	688	698	708	Weighted average diluted shares	685A	687	688	692
Diluted EPS	23.92	26.55	32.26	37.92	Diluted EPS	6.27A	5.97	6.50	7.51
Balance Sheet and Cash Flow Data	FY13A	FY14E	FY15E	FY16E	Ratio Analysis	FY13A	FY14E	FY15E	FY16E
Cash and cash equivalents	18,898	36,759	58,991	85,607	Sales growth	23.4%	20.7%	18.4%	15.4%
Accounts receivable	8,882	8,101	9,275	10,346	EBITDA growth	16.8%	16.0%	20.5%	16.7%
Other current assets	4,861	4,051	4,134	4,107	EPS growth	17.0%	11.0%	21.5%	17.6%
Current assets	72,886	92,402	115,890	143,549					
PP&E	16,524	19,443	21,529	23,777	EBITDA margin	52.0%	50.0%	50.8%	51.4%
Total assets	110,920	135,302	160,940	190,827	Net margin	37.4%	35.0%	36.4%	37.6%
Total debt	5,245	5,245	5,245	5,245	Debt / EBITDA	0.2	0.2	0.2	0.1
Total liabilities	23,611	30,692	37,354	44,296					
Shareholders' equity	87,309	104,610	123,586	146,530	Return on assets (ROA)	15.8%	14.8%	15.2%	15.3%
					Return on equity (ROE)	20.4%	19.0%	19.7%	19.9%
Net Income (including charges)	12,951	14,791	18,976	22,944					
D&A	3,939	4,733	5,200	5,633	Enterprise value / EBITDA	16.4	13.5	10.5	8.2
Change in working capital	(31)	4,858	807	938	Enterprise value / Free cash flow	32.7	16.7	14.6	11.2
Other	-	-	-	-	P/E	29.9	26.2	21.0	17.6
Cash flow from operations	18,660	27,641	28,770	33,749					
Capex	(7,358)	(6,550)	(6,183)	(6,778)					
Free cash flow	11,302	21,091	22,586	26,971					
Cash flow from investing activities	(13,679)	(10,852)	(6,183)	(6,778)					
Cash flow from financing activities	(857)	638	(355)	(355)					
Dividends	-	-	-	-					
Dividend yield	-	-	-	-					

Source: Company reports and J.P. Morgan estimates.

Note: \$ in millions (except per-share data). Fiscal year ends Dec

Overweight

FB,FB US

Price: \$64.87

Price Target: \$80.00

United States

Internet

Doug Anmuth ^{AC}

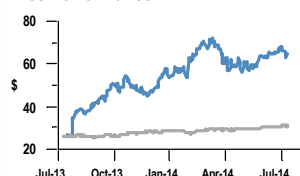
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Price Performance



	YTD	1m	3m	12m
Abs	18.7%	-1.4%	9.7%	151.4%
Rel	12.4%	-2.1%	2.5%	132.5%

Facebook

Thoughts Into 2Q14 Earnings

Facebook reports 2Q14 earnings on Wednesday, July 23rd after the close. **We expect strong 2Q14 results with likely upside to our \$2.65B in advertising revenue (+65.6% Y/Y, 16.9% Q/Q) driven by Mobile and Desktop News Feed ads.** We believe advertiser demand through 2Q continued to build and comScore data suggests continued strong engagement. Facebook's share of overall Internet time in May was ~18% (and 20% on mobile alone), up from 17% in March and April. We believe advertiser demand and ad quality should continue to drive higher relevancy and click-through rates over time. Though still early, we think Instagram and auto-play video ads should also have bigger contributions in 2Q. We continue to believe it is early in News Feed ads and Facebook can sustain strong growth rates through higher demand, pricing, and engagement, and importantly, proving better ROI to advertisers. **We note that our PF EPS estimates of \$1.52 in 2014 and \$1.94 in 2015 are currently ~6.4% and ~5.7% above consensus and we believe Instagram and video ads could drive further upside. Facebook remains our favorite idea in 2014.**

- **What we're expecting:** We expect 2Q revenue/EBITDA/PF EPS of \$2.89B/\$1.80B/\$0.35 compared to consensus of \$2.80B/\$1.68B/\$0.32. Our Advertising revenue projection of \$2.65B (+65.6% Y/Y, 16.9% Q/Q) is driven by \$1.60B in Mobile Advertising (+23% Q/Q) and ~\$1B in Desktop, a 4.1% Q/Q increase. We estimate Payments revenue of \$239M (11.7% Y/Y). Third-party data points suggest strong advertiser demand on Facebook. According to Facebook marketer Nanigans, CPMs on Facebook grew 57% Q/Q, driven by a 47% Q/Q increase in click-through rates (CTR) and a 7% increase in cost-per-click (CPC).
- **Competition for app install ads increasing, though Facebook well-positioned.** Facebook's success in mobile app install ads has led to increasing competition from Twitter, Google, and others. We believe mobile app install ads could represent 15-25% of Facebook's mobile ad revenue and we note the company highlighted 350M cumulative mobile app installs through 1Q14, driven by Facebook's mobile ads. We believe Facebook is well-positioned here relative to the competition as: 1) Its large, engaging ad format in mobile is likely to drive high click-through rates for advertisers; and 2) Facebook has continued to improve its ad serving algorithms to increase relevance and the company has a significant lead here relative to newer entrants. We also believe Facebook

Overweight

Company Data

Price (\$)	64.87
Date Of Price	10 Jul 14
52-week Range (\$)	72.59-25.45
Market Cap (\$ mn)	180,124.50
Fiscal Year End	Dec
Shares O/S (mn)	2,777
Price Target (\$)	80.00
Price Target End Date	31-Dec-14

Facebook Inc. (FB;FB US)

FYE Dec	2012A	2013A	2014E	2015E
EPS - Reported (\$)				
Q1 (Mar)	0.12	0.12	0.34A	-
Q2 (Jun)	0.12	0.19	0.35	-
Q3 (Sep)	0.12	0.25	0.38	-
Q4 (Dec)	0.17	0.30	0.46	-
FY	0.54	0.87	1.52	1.94
Bloomberg EPS FY (\$)	0.51	0.83	1.43	1.83

Source: Company data, Bloomberg, J.P. Morgan estimates.

advertising is being increasingly adopted by large CPG and Entertainment advertisers which continues to increase the company's ad diversification. **We note that the majority of Facebook ads are purchased on a CPC basis and the majority of ads don't get clicked on, suggesting click-through rate improvements should have a significant positive impact on monetization.** Additionally, Facebook's scale of users cannot be replicated for mobile app install ads on other platforms.

- **Expecting strong drivers of advertising revenue growth in 2014.** We look for strong advertising revenue growth in 2014 to be driven by improved and simplified ad formats including desktop Right Rail ads, continued progress with News Feed ads, FBX in the mobile News Feed and auto-play video ads. We think the launch of fewer, but larger ads in the desktop right rail should also spur some additional ad spending growth on desktop and we believe better targetability should lead to ROI improvements and higher advertiser demand. We think advertiser reception of Instagram ads has been positive and we think Instagram could be an incremental positive driver of ad revenue in 2H14. Quality and pricing should also benefit from the continued roll-out of auto-play video ads.

Maintaining Estimates

Table 2: J.P. Morgan Estimates vs. Consensus

J.P. Morgan Estimates	2Q14E	3Q14E	4Q14E	2014E	2015E
(\$ in millions except per share data)					
Advertising	2,647	2,858	3,403	11,173	15,250
Y/Y Growth	65.6%	59.0%	45.2%	59.9%	36.5%
Q/Q Growth	16.9%	8.0%	19.0%		
Mobile	1,602	1,828	2,234	6,965	10,856
Y/Y Growth	144.4%	107.5%	78.7%	120.4%	55.9%
Q/Q Growth	23.2%	14.1%	22.2%	0.0%	0.0%
Desktop	1,004	985	1,116	4,070	4,113
Y/Y Growth	6.5%	7.4%	2.1%	6.4%	1.1%
Q/Q Growth	4.1%	-2.0%	13.4%	0.0%	0.0%
Payments	239	243	261	980	1,004
Y/Y Growth	11.7%	11.4%	8.3%	10.6%	2.4%
Q/Q Growth	0.9%	1.6%	7.4%		
Revenue	2,887	3,101	3,663	12,153	16,254
Y/Y Growth	59.2%	53.8%	41.7%	54.4%	33.7%
Q/Q Growth	15.4%	7.4%	18.1%		
EBITDA	1,797	1,965	2,350	7,725	10,346
Y/Y Growth	75.5%	55.8%	35.6%	60.2%	33.9%
% Margin	62.3%	63.4%	64.1%	63.6%	63.7%
GAAP EPS	\$0.27	\$0.30	\$0.37	\$1.19	\$1.52
Y/Y Growth	NM	NM	NM	99.9%	27.8%
PF EPS	\$0.35	\$0.38	\$0.46	\$1.52	\$1.94
Y/Y Growth	77.4%	53.3%	49.8%	74.4%	27.3%
Bloomberg Consensus					
Revenue	2,803	3,005	3,595	11,877	15,680
EBITDA	1,676	1,819	2,262	7,377	9,718
% Margin	59.8%	60.5%	62.9%	62.1%	62.0%
GAAP EPS	\$0.24	\$0.27	\$0.34	\$1.09	\$1.47
PF EPS	\$0.32	\$0.34	\$0.43	\$1.43	\$1.83

Source: J.P. Morgan estimates, Bloomberg.

Investment Thesis, Valuation and Risks

Facebook (*Overweight; Price Target: \$80.00*)

Investment Thesis

We believe Facebook's virtual ownership of the social graph, strong competitive moat, and focus on the user experience position the company to significantly improve monetization over time and to become an enduring, blue-chip company built for the long term. Facebook's massive reach and engagement continue to drive network effects and its targeting abilities provide significant value to advertisers, though it is still early. We believe Facebook's ad platform is just beginning to shift toward more social ads with higher-quality formats, and it will become increasingly valuable to advertisers.

Valuation

Dec-14 PT of \$80. Our 2014 December year-end price target of \$80 employs an average of a DCF and multiples (EV/EBITDA and P/E) based valuation. We're using this valuation approach as we believe it appropriately balances Facebook's valuation relative to its growth and industry peers, while a DCF gives the company some credit for the opportunity to improve monetization over the long term.

Our DCF results in a \$79 price per share and employs an 11% WACC and 3.5% long-term growth rate. We expect Facebook to generate \$35B in revenue in 2020 with a 65% EBITDA margin.

Our EV/EBITDA valuation results in a \$84 price per share and employs a ~21x target EV/EBITDA multiple on our 2015E EBITDA of \$10.3B. We note that our 21x 2015E EBITDA target multiple is in-line with high-growth industry peers such as Netflix (~21x) and TripAdvisor (19x).

Our P/E valuation results in a \$77 price per share and employs a 40x P/E multiple on our 2015E PF EPS estimate of \$1.94, which is in-line with Facebook's 41% 2013-16E PF EPS CAGR.

Risks to Rating and Price Target

Downside risks include: 1) user-first mentality could create short-term revenue risk and volatility; 2) competition from purpose-driven social services; 3) advertiser ROI on Facebook may remain difficult to measure; 4) privacy, security, and regulatory risks; 5) competition for online and mobile ad dollars from Google and other online advertising companies; and 6) dual-class share structure and Mark Zuckerberg's control.

Facebook: Summary of Financials

Income Statement - Annual	FY13A	FY14E	FY15E	FY16E	Income Statement - Quarterly	1Q14A	2Q14E	3Q14E	4Q14E
Revenues	7,872	12,153	16,254	20,047	Revenues	2,502A	2,887	3,101	3,663
Operating income	2,804	5,467	7,347	9,182	Operating income	1,075A	1,261	1,399	1,707
D&A	1,019	1,222	1,699	2,131	D&A	264A	291	318	350
EBITDA	3,823	6,690	9,045	11,313	EBITDA	1,339A	1,552	1,717	2,057
Net interest income / (expense)	(57)	0	0	0	Net interest income / (expense)	0A	0	0	0
Other income / (expense)	(50)	66	147	210	Other income / (expense)	0A	19	20	27
Pretax income	2,754	5,533	7,493	9,392	Pretax income	1,075A	1,281	1,418	1,734
Income taxes	(1,254)	(2,206)	(3,147)	(3,757)	Income taxes	(433)A	(512)	(567)	(694)
Net Income	1,500	3,327	4,346	5,635	Net Income	642A	768	851	1,041
Weighted average diluted shares	2,522	2,777	2,860	2,917	Weighted average diluted shares	2,609A	2,824	2,832	2,841
Diluted EPS	0.87	1.52	1.94	2.43	Diluted EPS	0.34A	0.35	0.38	0.46
Balance Sheet and Cash Flow Data	FY13A	FY14E	FY15E	FY16E	Ratio Analysis	FY13A	FY14E	FY15E	FY16E
Cash and cash equivalents	3,323	3,766	10,302	16,396	Sales growth	54.7%	54.4%	33.7%	23.3%
Accounts receivable	1,109	1,576	1,625	2,005	EBITDA growth	65.8%	60.2%	33.9%	23.9%
Other current assets	512	659	699	862	EPS growth	63.0%	74.4%	27.3%	25.3%
Current assets	13,070	13,632	20,258	26,894	EBITDA margin	61.3%	63.6%	63.7%	63.9%
PP&E	2,882	3,953	5,246	6,272	Net margin	28.0%	34.8%	34.1%	35.3%
Total assets	17,895	19,479	27,397	35,060	Debt / EBITDA	0.0	0.0	0.0	0.0
Total debt	0	0	0	0	Return on assets (ROA)	13.3%	22.6%	23.6%	22.7%
Total liabilities	2,425	2,459	2,543	2,701	Return on equity (ROE)	16.2%	26.0%	26.5%	24.8%
Shareholders' equity	15,470	17,020	24,854	32,359	Enterprise value / EBITDA	34.6	21.6	15.5	12.0
Net Income (including charges)	1,500	3,302	4,346	5,635	Enterprise value / Free cash flow	57.6	40.7	24.5	25.3
D&A	1,019	1,222	1,699	2,131	P/E	109.1	54.1	42.7	33.6
Change in working capital	676	(523)	(5)	(384)					
Other	-	-	-	-					
Cash flow from operations	4,222	6,383	9,543	9,251					
Capex	(1,362)	(2,293)	(3,007)	(3,157)					
Free cash flow	2,898	4,090	6,536	6,094					
Cash flow from investing activities	(2,624)	(6,202)	(3,007)	(3,157)					
Cash flow from financing activities	(667)	262	0	0					
Dividends	-	-	-	-					
Dividend yield	-	-	-	-					

Source: Company reports and J.P. Morgan estimates.

Note: \$ in millions (except per-share data). Fiscal year ends Dec

Neutral

AMZN,AMZN US

Price: \$327.92

Price Target: \$350.00

United States

Internet

Doug Anmuth ^{AC}

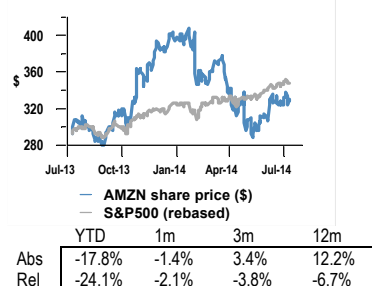
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J.P. Morgan Securities LLC

Price Performance



Amazon.com

Thoughts Into 2Q14 Earnings

We expect relatively in-line 2Q results with revenue and CSOI toward the high end of guidance. ChannelAdvisor and comScore data suggest eCommerce trends remain healthy in the US. US eCommerce grew 11% Y/Y in 2Q vs. 12% in 1Q, per comScore. The \$20 increase in Prime to \$99 went into effect on April 17th and though it could modestly slow Prime sub growth in the near term, we expect the continued increases in the value of Prime are likely to attract new Prime members over time. Our price target of \$350 is based on ~25.5x 2015E FCF/share of \$13.65.

- **What we're expecting.** We expect 2Q revenue of \$19.51B (+22.5% ex-FX) vs. guidance of \$18.1B-\$19.8B and consensus of \$19.30B. The Street is focused on GMV and gross profit to normalize for the mix-shift between 1P and 3P sales. We estimate 2Q gross profit of \$5.79B (+28.9% Y/Y, 29.7% margin) vs. consensus of \$5.74B (29.7% margin). Our CSOI estimate of \$378M (1.9% margin) is towards the high end of \$0-\$400M guidance. Unit growth will remain a focal point and we project 25% Y/Y, an acceleration from 23% in 1Q.
- **3Q Guidance.** We are modeling 3Q14 revenue of \$21.1B and believe the company could potentially guide to a range of \$19.2B-\$21.3B. Key areas to focus on in the remainder of 2014 are: 1) whether a broader rollout of digital media and devices can reaccelerate International media growth; 2) impact of Fire Phone launch on sales of digital media and physical goods within the Amazon ecosystem; 3) roll-out of Amazon Fresh in additional markets; 4) AWS expansion and competition; 5) fulfillment center build-out closer to major metros; 6) adoption of new Amazon hardware such as the Amazon Fire TV and Fire Phone.
- **What to watch for at 2Q earnings:** 1) Whether unit growth can stabilize/accelerate from 25% growth; 2) gross profit growth and whether it is impacted by AWS price cuts; 3) commentary on the Kindle/Fire ecosystem; 4) AWS strength — we project 60% growth in North America Other revenue; and 5) update on China traction/losses.

Neutral

Company Data

Price (\$)	327.92
Date Of Price	10 Jul 14
52-week Range (\$)	408.06-
	279.33
Market Cap (\$ mn)	148,219.80
Fiscal Year End	Dec
Shares O/S (mn)	452
Price Target (\$)	350.00
Price Target End Date	31-Dec-14

Amazon.com Inc (AMZN;AMZN US)

FYE Dec	2013A	2014E	2015E
EPS - Reported (\$)			
Q1 (Mar)	0.18	0.23A	-
Q2 (Jun)	(0.02)	(0.02)	-
Q3 (Sep)	(0.09)	0.02	-
Q4 (Dec)	0.51	1.14	-
FY	0.58	1.37	2.78
Bloomberg EPS FY (\$)	2.95	3.45	5.84

Source: Company data, Bloomberg, J.P. Morgan estimates.

- **Fire Phone ships later this month.** Amazon launched its smartphone called Fire Phone on 18th June, 2014 with most features being as anticipated including 3D and visual search (Firefly) functionality that appeared differentiated. The phone is currently available through just one carrier (AT&T), and **we expect a modest 2-3M in sales this year.** We expect Fire Phone sales will be driven by strong integration with Amazon digital media products, heavy homepage marketing toward Amazon's large existing customer base in the U.S.—especially Prime customers—and help from AT&T. **The phone is feature-rich from a hardware and software perspective and we view the device itself as having roughly neutral economics, with upside coming from deeper penetration of the Amazon ecosystem through sales of digital media and physical goods.** We believe the phone is differentiated, **but the higher end price points and smaller size of the Amazon App store could be limitations.**

Maintaining Estimates

We are maintaining our estimates, as shown in the table below.

Table 3: J.P. Morgan Estimates vs. Consensus

J.P. Morgan Estimates	2Q14E	3Q14E	4Q14E	2014E	2015E
<i>(\$ in millions except per share data)</i>					
Total Revenue	19,508	21,106	31,513	91,867	112,567
Y/Y Growth	24.2%	23.5%	23.2%	23.4%	22.5%
Media Revenue	4,865	5,559	7,992	23,884	26,938
Y/Y Growth	10.7%	10.5%	10.6%	10.0%	12.8%
Electronics & General Merchandise Revs	13,235	13,997	21,678	61,927	76,742
Y/Y Growth	27.1%	26.7%	26.6%	26.9%	23.9%
Other Revenue	1,408	1,549	1,842	6,056	8,887
Y/Y Growth	57.8%	53.2%	49.3%	53.9%	46.7%
Gross Profit	5,794	5,994	8,518	25,992	32,726
Y/Y Growth	28.9%	26.8%	25.6%	28.2%	25.9%
% Margin	29.7%	28.4%	27.0%	28.3%	29.1%
Consolidated Segment Operating Income	378	363	1,086	2,330	3,139
Y/Y Growth	-7.5%	36.1%	24.0%	16.9%	34.7%
% Margin	1.9%	1.7%	3.4%	2.5%	2.8%
GAAP Operating Income	18	40	717	920	1,673
Y/Y Growth	-77.7%	-261.0%	40.5%	23.6%	81.8%
Y/Y Growth	3409.1%	283.2%	1.1%	70.5%	84.1%
Consensus					
Total Revenue	19,300	20,784	31,021	90,835	109,054
Gross Profit	5,740	6,027	8,593	26,058	32,499
Gross Margin	29.7%	29.0%	27.7%	28.7%	29.8%
GAAP EPS	(\$0.14)	(\$0.08)	\$0.99	\$1.18	\$3.20
Guidance					
Total Revenue	\$18.1B - \$19.8B				
CSOI	\$0 - \$400M				
% Margin	0% - 2.0%				
GAAP Operating Income	(\$455) - (\$55)M				

Source: J.P. Morgan estimates, Bloomberg.

Investment Thesis, Valuation and Risks

Amazon.com (*Neutral; Price Target: \$350.00*)

Investment Thesis

Neutral rating. We believe Amazon continues to show strong ability to take share of overall eCommerce, and its flexibility in pushing 1st-party versus 3rd-party inventory is a major advantage compared with other retailers. We think Amazon remains a share gain story in Media and EGM. However, we expect decelerating gross profit growth in the near term due to decelerating 3P sales as well as continued investments in international and increased competition in the US.

Valuation

Our Dec-14 price target of \$350 is based on a continued ~25.5x our updated 2015E FCF/share of \$13.65, which is consistent with Amazon's historical FCF multiple range of 20-25x. We value Amazon on a FCF basis given that the company continues to benefit from a positive working capital cycle that we believe is inherent to the business model.

Risks to Rating and Price Target

Upside risks include: 1) reacceleration in unit and gross profit growth, 2) improving profitability from fulfillment centers, and 3) better-than-expected growth in 3P, FBA and AWS.

Downside risks include: 1) heavy investment spending that creates further margin pressure, 2) competition from online and offline retailers coming out with improved offerings, and 3) consumer spending suffering due to macroeconomic weakness.

Amazon.com: Summary of Financials

Income Statement - Annual	FY13A	FY14E	FY15E	FY16E	Income Statement - Quarterly	1Q14A	2Q14E	3Q14E	4Q14E
Revenues	74,453	91,867	112,567	136,569	Revenues	19,741A	19,508	21,106	31,513
Operating income	745	920	1,673	3,162	Operating income	146A	18	40	717
D&A	3,253	4,329	5,195	6,234	D&A	1,010A	983	1,084	1,252
EBITDA	4,112	5,394	7,018	9,552	EBITDA	1,191A	1,036	1,161	2,006
Net interest income / (expense)	(103)	(97)	(54)	(15)	Net interest income / (expense)	(31)A	(21)	(23)	(22)
Other income / (expense)	(310)	(69)	(33)	4	Other income / (expense)	35A	(29)	(30)	(45)
Pretax income	435	851	1,640	3,166	Pretax income	181A	(12)	10	671
Income taxes	(162)	(207)	(328)	(633)	Income taxes	(73)A	2	(2)	(134)
Net Income	273	644	1,312	2,533	Net Income	108A	(9)	8	537
Weighted average diluted shares	467	471	472	473	Weighted average diluted shares	468A	469	470	471
Diluted EPS	0.58	1.37	2.78	5.36	Diluted EPS	0.23A	(0.02)	0.02	1.14
Balance Sheet and Cash Flow Data	FY13A	FY14E	FY15E	FY16E	Ratio Analysis	FY13A	FY14E	FY15E	FY16E
Cash and cash equivalents	12,447	15,987	22,481	31,540	Sales growth	21.9%	23.4%	22.5%	21.3%
Accounts receivable	4,767	5,609	5,291	5,872	EBITDA growth	37.1%	26.9%	25.2%	31.0%
Other current assets	0	0	0	0	EPS growth	(770.4%)	134.0%	103.3%	92.6%
Current assets	24,625	31,728	46,682	59,263	EBITDA margin	7.0%	7.2%	7.4%	8.0%
PP&E	10,949	11,905	10,988	9,261	Net margin	2.1%	2.2%	2.4%	3.0%
Total assets	40,159	48,294	62,181	72,880	Debt / EBITDA	0.6	0.5	0.4	0.3
Total debt	3,191	3,191	3,191	3,191	Return on assets (ROA)	4.4%	4.6%	5.0%	6.0%
Total liabilities	30,413	37,904	50,479	58,644	Return on equity (ROE)	17.8%	20.2%	25.0%	31.1%
Shareholders' equity	9,746	10,390	11,702	14,235	Enterprise value / EBITDA	26.9	20.6	15.7	11.2
Net Income (including charges)	273	644	1,312	2,533	Enterprise value / Free cash flow	66.3	38.4	20.2	13.5
D&A	3,253	4,329	5,195	6,234	P/E	560.9	239.8	118.0	61.2
Change in working capital	768	1,515	2,819	3,294					
Other	-	-	-	-					
Cash flow from operations	5,474	7,529	10,721	13,516					
Capex	(3,443)	(4,037)	(4,278)	(4,507)					
Free cash flow	2,124	3,581	6,491	9,022					
Cash flow from investing activities	(4,276)	(3,881)	(4,278)	(4,507)					
Cash flow from financing activities	(539)	(125)	50	50					
Dividends	-	-	-	-					
Dividend yield	-	-	-	-					

Source: Company reports and J.P. Morgan estimates.

Note: \$ in millions (except per-share data). Fiscal year ends Dec

Overweight

PCLN,PCLN US

Price: \$1,216.13

Price Target: \$1,450.00

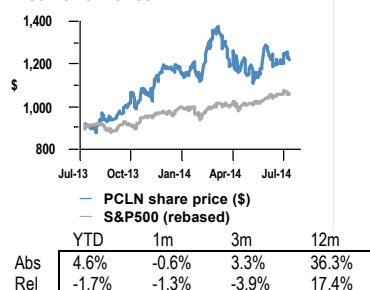
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Price Performance



Priceline.com

Thoughts Into 2Q14 Earnings

We expect strong 2Q results with Int'l FX-neutral bookings growth in the mid 30%'s Y/Y, likely above our 33% estimate and above Int'l FX-neutral bookings guidance of 21%-31%. We believe that accelerating hotel RevPAR (revenue per available room) trends in both Europe and the U.S. as well as accelerating air passenger volume in both Europe and the U.S. will not only drive 2Q upside, but could drive upside to current 3Q estimates.

- **What we're expecting.** We expect 2Q net revenue of \$2.13B (+27% Y/Y), essentially in-line with consensus of \$2.14B and guidance of \$2.00B-\$2.17B, as we expect Booking.com to continue share gains. Our EBITDA estimate of \$769M is essentially in-line with consensus at \$773M and near the high end of the guidance range. Our PF EPS estimate is \$12.12, essentially in-line with consensus at \$12.01. PCLN is our top pick in online travel as we believe the company is the best positioned within international hotel markets, has a consistent track record of execution, and outsized top- and bottom-line growth.
- **Expecting Booking.com share gains to continue.** In 2Q, we project 33.0% Y/Y ex-FX international bookings growth and 30.7% total bookings growth. We believe Priceline continues to take share in Europe as it currently accounts for only about mid-teens share of the European hotel market, with higher growth coming from emerging regions with APAC and LATAM both underpenetrated from an online travel perspective. Booking.com is also making significant progress in the U.S. market with aggressive online and offline advertising. We believe Booking.com will maintain its leadership position with more than 500,000 hotels (vs. Expedia's 290,000+, including eLong) as it continues to expand globally.
- **Expect strong 3Q Guide driven by healthy European macro trends.** We expect Priceline to provide favorable 3Q guidance driven by strong macro travel trends in Europe and the U.S. observed during 2Q which we expect to continue into the seasonally strong 3Q months. Specifically, we believe that strong macro indicators including hotel RevPAR and air passenger volumes observed during 2Q are creating tailwinds for Priceline and should give management reason to guide total gross bookings above our 28.9% Y/Y estimate. During 2Q through May we observed European hotel RevPAR (revenue per available room) growth of 5.3% Y/Y, an acceleration from 4.9% Y/Y growth during 2Q). We also note European air passenger volume growth accelerating to 5.7% Y/Y during 2Q

Overweight

Company Data

Price (\$)	1,216.13
Date Of Price	10 Jul 14
52-week Range (\$)	1,378.96-875.19
Market Cap (\$ mn)	64,961.97
Fiscal Year End	Dec
Shares O/S (mn)	53
Price Target (\$)	1,450.00
Price Target End Date	31-Dec-14

Priceline.com (PCLN;PCLN US)

FYE Dec	2012A	2013A	2014E	2015E
EPS - Reported (\$)				
Q1 (Mar)	4.28	5.76	7.81A	-
Q2 (Jun)	7.85	9.70	12.12	-
Q3 (Sep)	12.40	17.30	21.45	-
Q4 (Dec)	6.77	8.85	11.31	-
FY	31.30	41.62	52.68	65.91
Bloomberg EPS FY (\$)	30.99	41.12	52.17	64.01

Source: Company data, Bloomberg, J.P. Morgan estimates.

through May vs. 3.0% Y/Y in 1Q. Over 86% of Priceline's bookings now come from outside of the U.S. with the majority of the business being generated within Europe. In addition to the strength observed in Europe, trends have been quite favorable in the U.S. with hotel RevPAR accelerating to 8.6% Y/Y through May vs. 6.5% Y/Y in 1Q. U.S. air passenger volumes also accelerated to 3.1% Y/Y during 2Q through May vs. 0.8% Y/Y 1Q.

- **Expecting 309 bps of Y/Y EBITDA margin compression.** We expect to see 309 bps of Y/Y deleverage in EBITDA given increasing competitive dynamics in paid channels and Booking.com offline TV ads in the U.S. Though we think all OTAs are likely to feel the need to increase investments in sales and marketing, we believe Priceline's strong track record and efficiency in marketing spend can drive sustained strength in bookings growth, particularly in the International segment.
- **What to watch for:** 1) Benefits from strong macro travel trends in 2Q; 2) Increased marketing spend leading to margin compression, but also strong top-line growth; 3) Updated commentary around Priceline's position regarding TripAdvisor's Instant Book product; 4) Updated commentary around the proposed acquisition of OpenTable; and 5) Early thoughts on the Villas.com launch.
- **Reiterate Overweight rating and \$1,450 PT.** Our \$1,450 PT is based on 22x 2015E PF EPS of \$65.91.

Maintaining Estimates

We are maintaining our estimates, as shown in the table below.

Table 4: J.P. Morgan Estimates vs. Consensus

J.P. Morgan Estimates	2Q14E	3Q14E	4Q14E	2014E	2015E
<i>(\$ in millions except per share data)</i>					
Gross Bookings	13,409	13,881	11,645	51,215	62,988
Y/Y Growth	32.5%	28.9%	27.4%	30.7%	23.0%
Total Revenue (incl. Kayak)	2,135	2,833	1,926	8,536	10,534
Y/Y Growth	27.0%	24.8%	25.0%	25.7%	23.4%
PF EBITDA	769	1,373	728	3,383	4,285
Y/Y Growth	23.9%	23.2%	25.9%	26.2%	26.7%
% Margin on Gross Profit	41.8%	53.9%	44.6%	45.6%	46.7%
PF EPS	\$12.12	\$21.45	\$11.31	\$52.68	\$65.91
Y/Y Growth	24.9%	24.0%	27.7%	26.6%	25.1%
Consensus					
Total Revenue	2,139	2,806	1,898	8,480	10,211
EBITDA	773	1,368	726	3,380	4,178
PF EPS	\$12.01	\$21.24	\$11.18	\$52.17	\$64.01
Guidance					
Gross Bookings Growth (Y/Y)	22%-32%				
Total Revenue (incl. Kayak)	\$2,000-\$2,168				
PF EBITDA	\$725-\$775				
PF EPS	\$11.22-\$12.02				

Source: J.P. Morgan estimates, Bloomberg.

Investment Thesis, Valuation and Risks

Priceline.com (*Overweight; Price Target: \$1,450.00*)

Investment Thesis

We continue to believe Priceline is the best positioned company in the online travel space and will continue to gain share in international markets. We look for strong International bookings growth in 2013, driven by Booking.com, Agoda, and Rentalcars.com, along with a more stable European macro environment. We believe there is still meaningful room for European hotel share gains as Booking.com likely has ~10%+ of total European hotel nights, and we look for greater contribution from high-growth opportunities in LatAm and APAC.

Valuation

Maintaining PT of \$1,450. We are maintaining our Dec-14 price target of \$1,450. Our \$1,450 price target is based on ~22x our 2015E PF EPS of \$65.91, which we believe is reasonable given a 28% 2012-15E PF EPS CAGR. Our price target is equivalent to ~27.5x our 2014E PF EPS of \$52.68. We expect Priceline to trade at a premium to its OTA peers (~20x) given its higher growth profile and our forecast for margin expansion. Priceline continues to gain material share of the hotel reservations business, particularly through Booking.com in Europe, APAC, and in the U.S., and is expected to be a primary beneficiary of an improving global travel market.

Risks to Rating and Price Target

Downside risks. Priceline shares could underperform other companies in our coverage universe if 1) international bookings growth decelerates dramatically; 2) Priceline is pressured by competition from other OTAs or suppliers; 3) marketing costs increase due to competition; 4) Priceline is unable to obtain supply of inventory; and 5) macro or security-related risks impact the overall travel environment.

Priceline.com: Summary of Financials

Income Statement - Annual	FY13A	FY14E	FY15E	FY16E	Income Statement - Quarterly	1Q14A	2Q14E	3Q14E	4Q14E
Revenues	6,793	8,536	10,534	12,456	Revenues	1,642A	2,135	2,833	1,926
Operating income	2,412	3,027	3,839	4,891	Operating income	439A	683	1,283	622
D&A	118	156	171	184	D&A	38A	39	39	40
EBITDA	2,530	3,183	4,010	5,075	EBITDA	477A	722	1,322	663
Net interest income / (expense)	(79)	(61)	(58)	(56)	Net interest income / (expense)	(17)A	(15)	(15)	(15)
Other income / (expense)	(116)	(61)	(58)	(56)	Other income / (expense)	(23)A	(15)	(15)	(15)
Pretax income	2,297	2,966	3,781	4,835	Pretax income	416A	668	1,268	608
Income taxes	(404)	(491)	(662)	(846)	Income taxes	(85)A	(100)	(203)	(103)
Net Income	1,893	2,475	3,120	3,989	Net Income	331A	568	1,065	505
Weighted average diluted shares	53	54	54	54	Weighted average diluted shares	53A	54	54	54
Diluted EPS	41.62	52.68	65.91	83.03	Diluted EPS	7.81A	12.12	21.45	11.31
Balance Sheet and Cash Flow Data	FY13A	FY14E	FY15E	FY16E	Ratio Analysis	FY13A	FY14E	FY15E	FY16E
Cash and cash equivalents	1,290	3,763	7,384	11,942	Sales growth	29.1%	25.7%	23.4%	18.2%
Accounts receivable	536	598	632	623	EBITDA growth	35.9%	26.2%	26.7%	26.4%
Other current assets	192	518	518	518	EPS growth	33.0%	26.6%	25.1%	26.0%
Current assets	7,481	10,302	13,956	18,506	EBITDA margin	39.5%	39.6%	40.7%	43.5%
PP&E	135	162	179	202	Net margin	32.2%	33.2%	33.8%	36.2%
Total assets	10,444	13,182	16,735	21,192	Debt / EBITDA	0.6	0.5	0.4	0.3
Total debt	1,742	1,753	1,753	1,753	Return on assets (ROA)	25.7%	24.0%	23.8%	23.8%
Total liabilities	3,535	4,023	4,452	4,921	Return on equity (ROE)	40.5%	35.2%	33.2%	31.6%
Shareholders' equity	6,910	9,159	12,279	16,268	Enterprise value / EBITDA	18.2	13.7	10.0	7.0
Net Income (including charges)	1,893	2,469	3,120	3,989	Enterprise value / Free cash flow	21.4	16.2	11.6	8.3
D&A	118	156	171	184	P/E	33.8	26.4	21.0	16.5
Change in working capital	53	22	120	137					
Other	-	-	-	-					
Cash flow from operations	2,301	2,902	3,711	4,671					
Capex	(84)	(92)	(95)	(112)					
Free cash flow	2,282	2,861	3,664	4,605					
Cash flow from investing activities	(2,162)	(103)	(95)	(112)					
Cash flow from financing activities	(404)	(329)	0	0					
Dividends	-	-	-	-					
Dividend yield	-	-	-	-					

Source: Company reports and J.P. Morgan estimates.

Note: \$ in millions (except per-share data). Fiscal year ends Dec

Overweight

EBAY,EBAY US

Price: \$50.34

Price Target: \$56.00

United States

Internet

Doug Anmuth ^{AC}

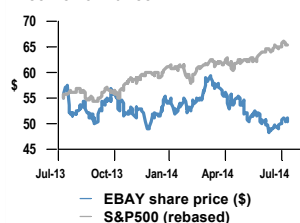
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J.P. Morgan Securities LLC

Price Performance



	YTD	1m	3m	12m
Abs	-5.9%	2.1%	-4.2%	-5.5%
Rel	-13.9%	0.7%	-11.4%	-26.1%

eBay, Inc

Thoughts Into 2Q14 Earnings

eBay reports 2Q earnings on Wednesday, July 16th after the close and the dial-in number for the 5pm ET call is (877)844-0840. We expect eBay to report soft 2Q results as due to challenges to the Marketplace due to the cyber-attack that compromised certain user information and to a lesser degree Google Panda changes that impacted natural search results. We note that eBay shares are down 7% since 1Q earnings compared to the S&P 500 up 5%. **Some of these recent events will weigh on operational performance in the near term—particularly the security breach—but they have also been taken into account somewhat in the stock and we still believe that eBay remains well positioned overall in an increasingly omni-channel retail landscape and that the risk/reward is favorable from current levels.** We remain Overweight with a price target of \$56 based on 17x 2015E EPS \$3.32.

- **What we're expecting.** We expect 2Q revenue of \$4.38B which is relatively in-line with consensus of \$4.4B and in between guidance of \$4.325-\$4.425B. Our PF EPS estimate of \$0.68 is in line with consensus of \$0.68 and at the midpoint of guidance of \$0.67-\$0.69. For 2014, we estimate non-GAAP EPS toward the low end of guidance at \$2.96 and 2015 non-GAAP EPS of \$3.32 vs. consensus of \$2.98 and \$3.39 respectively.
- **Sluggish 2Q14 Marketplace trends.** We think the combination of the security breach as well as Google's Panda changes likely had some impact on eBay's Marketplace GMV growth in 2Q14. As shown in the Figure below, ChannelAdvisor data suggests eBay's US Marketplace GMV growth decelerated ~200 bps from ~15% in 1Q14 to ~13% in 2Q (Apr-May). comScore data suggests April and May US desktop eCommerce grew 11% Y/Y vs. 12% in 1Q14. We are modeling 9% Y/Y 2Q US GMV growth for eBay, a deceleration from 11% in 1Q14. We're modeling international ex-auto GMV growth of 11.5% Y/Y in 2Q vs. 11% in 1Q.
- **Expect PayPal to deliver a good quarter.** We expect the Payments business to deliver in-line TPV and revenue growth driven by healthy 2Q eCommerce industry growth, increasing penetration of merchants and positive momentum in Marketplaces where PayPal's penetration is ~80%. We are modeling PayPal TPV growth of 24% Y/Y on an ex-FX basis – vs. 26% in 1Q – driven by 29% ex-FX growth in Merchant Services and 12% ex-FX growth on eBay.

Overweight

Company Data

Price (\$)	50.34
Date Of Price	10 Jul 14
52-week Range (\$)	59.70-48.06
Market Cap (\$ mn)	66,140.19
Fiscal Year End	Dec
Shares O/S (mn)	1,314
Price Target (\$)	56.00
Price Target End Date	31-Dec-14
Market Cap (\$ mn)	66,140.19

eBay Inc (EBAY;EBAY US)

FYE Dec	2012A	2013A	2014E	2015E
EPS - Reported (\$)				
Q1 (Mar)	0.55	0.63	0.70A	-
Q2 (Jun)	0.56	0.63	0.68	-
Q3 (Sep)	0.55	0.64	0.70	-
Q4 (Dec)	0.70	0.81	0.88	-
FY	2.36	2.71	2.96	3.32
Bloomberg EPS FY (\$)	2.35	2.69	2.98	3.39

Source: Company data, Bloomberg, J.P. Morgan estimates.

- **Security breach a potential drag on users and GMV in the near term.** We think the security breach will have greater impact than Google Panda's changes as it has likely weighed on user perception and engagement on eBay, and also created additional friction at checkout due to required 2-factor authentication password changes. However, the company does not believe the cyber-attack has resulted in any unauthorized activity and there has been no increase in fraud on the site.
- **We think eBay can adjust to Google Panda changes.** Several third-party sources have suggested eBay page ranks in Google search results are now lower due to Google's Panda changes. While we do think Google's Panda changes likely negatively impacted eBay's organic traffic from Google, we note that eBay has several sources of traffic and Google (paid + organic) is ~11% of eBay's overall traffic, according to comScore, with most of it going directly to eBay. We also note that eBay has navigated several Panda changes in the past and will continue to generate more traffic through alternative sources such as social media and mobile.
- **What keeps us Overweight:** 1) We continue to believe eBay is well-positioned in omni-channel retail as it has a compelling offering for large retailers across eBay, PayPal, and eBay Enterprise; 2) Payments Merchant Services growth remains strong (29% in 2Q14E) despite headline competitive risk; 3) We expect continued capital returns--\$600M of repurchases in 2Q14E and our estimate for \$1.6B through year-end could be conservative; and 4) Valuation remains undemanding at below 15x 2015E non-GAAP EPS and recent concerns should be well understood.

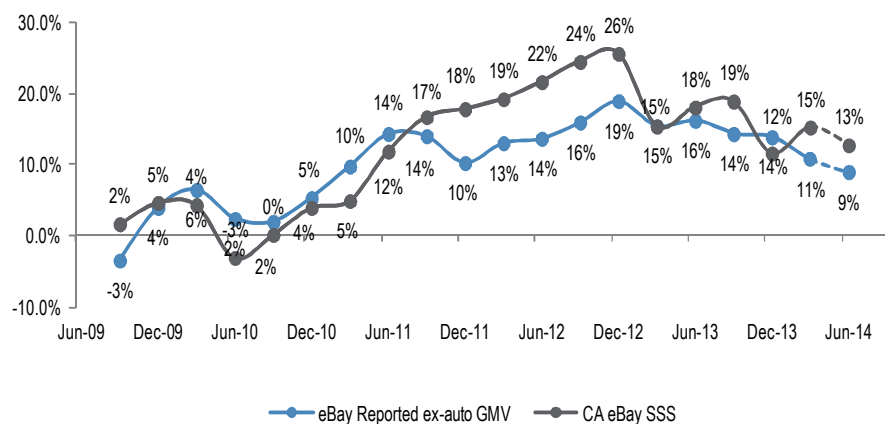
Maintaining Estimates

Table 5: J.P. Morgan Estimates vs. Consensus

J.P. Morgan Estimates	2Q14E	3Q14E	4Q14E	2014E	2015E
(\$ in millions except per share data)					
Total Revenue	4,381	4,405	5,179	18,227	20,740
Y/Y Growth	13.0%	13.2%	14.3%	13.6%	13.8%
Marketplace Revenue	2,176	2,200	2,516	9,056	10,054
Y/Y Growth	8.8%	8.5%	9.5%	9.5%	11.0%
Payments Revenue	1,938	1,946	2,236	7,965	9,414
Y/Y Growth	19.4%	20.1%	21.8%	20.2%	18.2%
Global GMV	22,188	22,235	25,648	92,195	102,051
Y/Y Growth	10.5%	10.6%	11.1%	10.7%	10.7%
WW GMV ex- Autos	20,454	20,533	24,124	85,657	95,771
Y/Y Growth	11.9%	11.9%	12.2%	12.1%	11.8%
US GMV ex- Autos	7,906	8,186	9,301	33,534	37,290
Y/Y Growth	9.0%	10.5%	11.5%	10.5%	11.2%
PayPal TPV	54,017	54,230	63,665	223,918	268,612
Y/Y Growth	26.2%	23.7%	22.5%	24.6%	20.0%
EBITDA	1,357	1,404	1,699	5,883	6,533
Y/Y Growth	7.3%	8.2%	6.5%	8.7%	11.0%
% Margin	31.0%	31.9%	32.8%	32.3%	31.5%
PF EPS	\$0.68	\$0.70	\$0.88	\$2.96	\$3.32
Y/Y Growth	8.6%	9.7%	8.3%	9.3%	12.2%
Consensus					
Total Revenue	4,381	4,416	5,190	18,250	20,800
PF EPS	\$0.68	\$0.70	\$0.89	\$2.98	\$3.39
Guidance					
Total Revenue	\$4.325B - \$4.425B			\$18.0B - \$18.5B	
PF EPS	\$0.67 - \$0.69			\$2.95-\$3.00	

Source: J.P. Morgan estimates, Bloomberg.

Table 6: Quarterly ChannelAdvisor SSS vs. eBay's Reported GMV Growth Y/Y



Source: ChannelAdvisor Company Reports, J.P. Morgan

Table 7: eBay Sum of The Parts Valuation Analysis

	2015				
	Revenue	EBITDA	EBITDA Margin %	EBITDA Multiple	2015E
Consolidated Operations:					
Marketplaces	10,054	4,179	41.6%	8.0x	33,433
PayPal	9,414	2,353	25.0%	14.0x	32,949
Total Consolidated Operations	19,468	6,533	33.6%	10.2x	\$66,382
Equity Investments					
Total Unconsolidated Operations					\$1,100
Total Asset Value of eBay					\$67,482
Less: Debt					2,090
Plus: Cash					9,797
Value to Common Shareholders					\$75,190
Total shares outstanding					1,302
Value per eBay share					\$57.74

Source: J.P. Morgan estimates Company data.

Investment Thesis, Valuation and Risks

eBay, Inc (Overweight; Price Target: \$56.00)

Investment Thesis

Maintain Overweight. eBay has become an increasingly important partner for retailers across all 3 segments—Marketplaces, Payments, and GSI—and continues to benefit from its strong mobile presence. We believe the company is highly innovative in terms of mCommerce, mobile payments, and online/offline shopping convergence and well positioned to grow above eCommerce growth rates. We reiterate our Overweight rating on EBAY.

Valuation

Maintain Overweight. Our \$56 PT is based on a ~17x multiple on 2015E PF EPS of \$3.32. Our target multiple is in-line with marketplace businesses such as Groupon (17x 2015 EPS) and below Amazon's ~56.5x 2015 P/E multiple, though we are modeling faster EPS growth for Amazon.

Risks to Rating and Price Target

Downside risks include: an increase in competitive share in the eCommerce and hardline retail market (e.g., Amazon, Wal-Mart), PayPal competition from large technology and credit card players as well as financial institutions, and take rate erosion.

eBay, Inc: Summary of Financials

Income Statement - Annual	FY13A	FY14E	FY15E	FY16E	Income Statement - Quarterly	1Q14A	2Q14E	3Q14E	4Q14E
Revenues	16,047	18,227	20,740	23,676	Revenues	4,262A	4,381	4,405	5,179
Operating income	3,371	3,688	4,236	4,962	Operating income	878A	804	893	1,113
D&A	1,400	1,496	1,576	1,627	D&A	382A	367	368	379
EBITDA	4,771	5,184	5,812	6,589	EBITDA	1,260A	1,170	1,261	1,492
Net interest income / (expense)	95	(13)	(2)	29	Net interest income / (expense)	(5)A	(8)	(6)	7
Other income / (expense)	95	(13)	(2)	29	Other income / (expense)	(5)A	(8)	(6)	7
Pretax income	3,466	3,675	4,234	4,990	Pretax income	873A	796	887	1,120
Income taxes	(610)	(3,787)	(889)	(1,048)	Income taxes	(3,199)A	(167)	(186)	(235)
Net Income	2,856	(112)	3,345	3,942	Net Income	(2,326)A	629	700	884
Weighted average diluted shares	1,313	1,295	1,302	1,327	Weighted average diluted shares	1,292A	1,293	1,296	1,298
Diluted EPS	2.71	2.96	3.32	3.74	Diluted EPS	0.70A	0.68	0.70	0.88
Balance Sheet and Cash Flow Data	FY13A	FY14E	FY15E	FY16E	Ratio Analysis	FY13A	FY14E	FY15E	FY16E
Cash and cash equivalents	4,494	7,869	6,368	9,631	Sales growth	14.0%	13.6%	13.8%	14.2%
Accounts receivable	899	1,010	1,133	1,260	EBITDA growth	16.9%	8.7%	11.0%	12.4%
Other current assets	13,359	14,119	14,412	14,023	EPS growth	14.5%	9.3%	12.2%	12.6%
Current assets	23,283	26,426	25,342	28,344					
PP&E	2,760	3,184	3,620	4,111	EBITDA margin	33.7%	32.3%	31.5%	31.0%
Total assets	41,488	44,544	46,957	49,957	Net margin	22.2%	21.0%	20.9%	21.0%
Total debt	4,123	4,128	3,278	3,278	Debt / EBITDA	0.8	0.7	0.5	0.4
Total liabilities	17,841	24,321	24,090	23,847					
Shareholders' equity	23,647	20,223	22,867	26,110	Return on assets (ROA)	9.0%	8.9%	9.5%	10.2%
					Return on equity (ROE)	16.0%	17.5%	20.1%	20.3%
Net Income (including charges)	2,856	(112)	3,345	3,942					
D&A	1,400	1,496	1,576	1,627	Enterprise value / EBITDA	12.3	10.8	9.8	8.3
Change in working capital	0	1,561	(1,507)	(1,844)	Enterprise value / Free cash flow	18.2	18.0	16.4	14.3
Other	-	-	-	-	P/E	23.1	NM	19.6	16.9
Cash flow from operations	4,995	4,919	5,573	6,038					
Capex	(1,250)	(1,393)	(1,659)	(1,776)					
Free cash flow	3,664	3,528	3,915	4,239					
Cash flow from investing activities	(6,012)	(655)	(1,659)	(1,776)					
Cash flow from financing activities	(1,354)	(3,805)	(2,799)	(1,149)					
Dividends	-	-	-	-					
Dividend yield	-	-	-	-					

Source: Company reports and J.P. Morgan estimates.

Note: \$ in millions (except per-share data). Fiscal year ends Dec

Neutral

TWTR, TWTR US

Price: \$37.84

Price Target: \$42.00

United States

Internet

Doug Anmuth ^{AC}

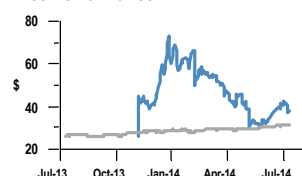
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J.P. Morgan Securities LLC

Price Performance



	YTD	1m	3m	12m
Abs	-40.4%	16.7%	-5.2%	54.7%
Rel	-48.4%	15.3%	-12.4%	34.1%

Twitter, Inc.

Thoughts Into 2Q14 Earnings

Twitter reports 2Q earnings on Tuesday, July 29th after the close. Despite our Neutral rating, we are more constructive on the company based on an increased focus on improving the user experience, growing users, and recent management changes.

- **What we're expecting.** We expect the company to report upside to our \$281.4M revenue estimate driven by improved user growth, engagement and monetization (consensus revenue at \$281.8M vs. guidance of \$270M-\$280M). We are modeling EBITDA of \$29.5M (206% Y/Y growth and 10.5% margin), slightly below consensus of \$32.5M and at the high-end of guidance of \$25M to \$30M. Driven by the expected 2Q beat, we think it is reasonable to expect a modest increase in full year revenue and EBITDA guidance as well. Our full year 2014 revenue estimate stands at \$1.255B (consensus at \$1.26B) with EBITDA of \$204M (consensus at \$206M) vs. the full year outlook which includes revenue in the \$1.20B-\$1.25B range and adjusted EBITDA of \$180M-\$205M.
- **User growth trends are the key focus.** User growth represents a critical metric for the Twitter story at this stage in our view, superseding monetization during the near term. Shares of TWTR have rallied ~ 25% since bottoming on May 27, 2014 in part because there is an expectation by investors for net MAU (monthly active user) additions to increase beyond the 14M from 1Q driven by new initiatives, international growth, and the World Cup later in the quarter. We are modeling 14M MAU additions which implies total MAUs of 269M—higher than that would likely be viewed favorably.
- **Improving the user experience.** 2014 represents an eventful year for user experience improvements. Twitter has rolled out (or is in the process of rolling out) a number of new product enhancements to boost the user experience including: 1) emphasizing more rich media and rich media ads (particularly in the form of Twitter Cards), 2) encouraging increased usage of the *Direct Message* communication between users, 3) improving the *On Boarding* process and 4) improving the *Organization of the Content* including improved relevancy and better search tools. Each of these initiatives is expected to improve user engagement and minimize user churn or stagnancy. We expect total advertising revenue to grow 114% Y/Y to \$258.8M in 2Q vs. \$226.1M (+125% Y/Y growth) in 1Q.

Neutral

Company Data

Price (\$)	37.84
Date Of Price	10 Jul 14
52-week Range (\$)	74.73-29.51
Market Cap (\$ mn)	27,030.37
Fiscal Year End	Dec
Shares O/S (mn)	714
Price Target (\$)	42.00
Price Target End Date	31-Dec-14

Twitter, Inc. (TWTR;TWTR US)

FYE Dec	2012A	2013A	2014E	2015E
EPS - Reported (\$)				
Q1 (Mar)	(0.10)	(0.09)	0.00A	-
Q2 (Jun)	(0.09)	(0.12)	(0.04)	-
Q3 (Sep)	(0.11)	(0.12)	(0.02)	-
Q4 (Dec)	(0.00)	0.02	0.03	-
FY	(0.30)	(0.18)	(0.03)	(0.02)
Bloomberg EPS FY (\$)	-0.30	-0.20	0.05	0.27

Source: Company data, Bloomberg, J.P. Morgan estimates.

- Management reshuffle suggests greater focus on scaling the network.** On July 1, 2014 Twitter announced via 8-K filing that the board of directors had appointed Anthony Noto as the company's new CFO to replace Mike Gupta within 30 days. Mr. Noto had previously served as co-head of Goldman Sachs' TMT investment banking group and prior to that as the CFO of the NFL. We believe Mr. Noto's hiring is positive as he brings a strong track record of success from many years on Wall Street and with the NFL. He should be able to help Twitter through key relationships across the media and Internet industry and perhaps bring the company greater strategic and operating discipline. On June 12, 2014 Twitter announced via 8-K filing that Ali Rowghani had resigned as COO, but would continue his work at Twitter as a strategic advisor to the CEO. Twitter stated that it does not intend to hire a replacement COO.

Maintaining Estimates

We are maintaining estimates, as shown in the table below.

Table 8: J.P. Morgan Estimates vs. Consensus

J.P. Morgan Estimates	2Q14E	3Q14E	4Q14E	2014E	2015E
<i>(\$ in millions except per share data)</i>					
Total Revenue	281.4	310.5	413.0	1,255.4	1,956.8
Y/Y Growth	102%	84%	70%	89%	56%
Advertising	258.8	288.5	388.2	1,161.6	1,863.0
Y/Y Growth	114%	88%	77%	95%	60%
Data Licensing	22.5	22.0	24.8	93.8	93.8
Y/Y Growth	23%	45%	8%	33%	0%
EBITDA	29.5	45.0	92.5	204.0	395.3
Y/Y Growth	206%	384%	107%	170%	94%
% Margin	11%	15%	22%	16%	20%
GAAP EPS	(\$0.33)	(\$0.31)	(\$0.26)	(\$1.14)	(\$1.08)
Y/Y Growth	NM	NM	NM	NM	NM
PF EPS	(\$0.04)	(\$0.02)	\$0.03	(\$0.03)	(\$0.02)
Y/Y Growth	NM	NM	71%	NM	NM
Consensus					
Total Revenue	281.8	322.5	415.5	1,267.6	2,058.0
EBITDA	32.5	44.5	93.1	206.3	473.2
GAAP EPS	(\$0.30)	(\$0.29)	(\$0.23)	(\$1.04)	(\$0.75)
PF EPS	(\$0.01)	\$0.00	\$0.06	\$0.05	\$0.27
Guidance					
Total Revenue	\$270M-\$280M			\$1,200M-\$1,250M	
EBITDA	\$25M-\$30M			\$180M-\$205M	

Source: J.P. Morgan estimates, Bloomberg.

Investment Thesis, Valuation and Risks

Twitter, Inc. (Neutral; Price Target: \$42.00)

Investment Thesis

We believe Twitter is fundamentally changing the way people communicate and consume information, and the company is in the early stages of monetization, with considerable runway ahead. Twitter is uniquely positioned as the real-time broadcast and communications network, and its platform collectively represents the Interest Graph of the Internet. These features help make Twitter uniquely complementary to all other forms of media, including TV. We believe Twitter has multiple growth drivers ahead, and its model should prove highly scalable over time.

Valuation

Maintaining \$42 price target. Our December 2014 price target of \$42 is based on our DCF valuation. Twitter shares are currently trading ~20x 2014E EV/revenue and 14x 2015E EV/revenue, a significant premium to its peers. Twitter is growing faster off a smaller base, but these are significant premiums to Facebook at 14x and 10x and LinkedIn at 9x and 7x. We value shares of Twitter based on our DCF analysis, which factors in 2012-2020 CAGRs of 50% for revenue and 86% for EBITDA, along with a 4% terminal growth rate and 10.5% WACC. Our DCF yields fair value of \$42.

Risks to Rating and Price Target

Upside Risks Include: 1) potential acceleration of user growth would be an upside surprise; 2) new innovative products could drive higher engagement and Timeline Views; 3) overall ARPU could increase faster than expected.

Downside Risks Include: 1) Increasing competition for mobile and native ad dollars, particularly with Facebook and Google, among others; 2) slower than expected user growth could increase concerns about scale and reach; 3) international monetization could lag more than expected.

Twitter, Inc.: Summary of Financials

Income Statement - Annual	FY13A	FY14E	FY15E	FY16E	Income Statement - Quarterly	1Q14A	2Q14E	3Q14E	4Q14E
Revenues	665	1,255	1,957	2,825	Revenues	250A	281	310	413
Operating income	(636)	(677)	(706)	(662)	Operating income	(129)A	(198)	(189)	(161)
D&A	111	210	417	593	D&A	40A	52	54	64
EBITDA	(525)	(467)	(290)	(69)	EBITDA	(89)A	(145)	(135)	(97)
Net interest income / (expense)	(7)	(25)	(9)	(16)	Net interest income / (expense)	(3)A	(4)	(7)	(11)
Other income / (expense)	(11)	(24)	(9)	(16)	Other income / (expense)	(2)A	(4)	(7)	(11)
Pretax income	(647)	(701)	(715)	(678)	Pretax income	(131)A	(202)	(196)	(172)
Income taxes	2	(1)	0	0	Income taxes	(1)A	0	0	0
Net Income	(645)	(702)	(715)	(678)	Net Income	(132)A	(202)	(196)	(172)
Weighted average diluted shares	252	714	798	814	Weighted average diluted shares	570A	740	765	783
Diluted EPS	(0.18)	(0.03)	(0.02)	0.05	Diluted EPS	0.00A	(0.04)	(0.02)	0.03
Balance Sheet and Cash Flow Data	FY13A	FY14E	FY15E	FY16E	Ratio Analysis	FY13A	FY14E	FY15E	FY16E
Cash and cash equivalents	841	941	1,121	1,462	Sales growth	109.8%	88.8%	55.9%	44.4%
Accounts receivable	247	414	626	876	EBITDA growth	256.4%	170.5%	93.7%	59.4%
Other current assets	93	151	215	297	EPS growth	(39.5%)	(85.8%)	(16.5%)	(315.0%)
Current assets	2,575	2,722	3,178	3,850	EBITDA margin	11.3%	16.3%	20.2%	22.3%
PP&E	333	519	611	625	Net margin	(5.2%)	(1.3%)	(0.7%)	1.3%
Total assets	3,366	3,709	4,257	4,943	Debt / EBITDA	-	-	-	-
Total debt	-	-	-	-	Return on assets (ROA)	(1.6%)	(0.4%)	(0.4%)	0.8%
Total liabilities	416	797	1,375	2,041	Return on equity (ROE)	(2.5%)	(0.5%)	(0.5%)	1.3%
Shareholders' equity	2,950	2,912	2,882	2,903	Enterprise value / EBITDA	392.5	144.6	74.2	46.0
Net Income (including charges)	(645)	(702)	(715)	(678)	Enterprise value / Free cash flow	NM	NM	155.9	81.1
D&A	111	210	417	593	P/E	NM	NM	NM	NM
Change in working capital	(61)	(52)	(11)	(18)					
Other	597	674	685	698					
Cash flow from operations	1	130	375	596					
Capex	(76)	(156)	(196)	(254)					
Free cash flow	(67)	(1)	188	357					
Cash flow from investing activities	(1,306)	7	(196)	(254)					
Cash flow from financing activities	1,957	(20)	0	0					
Dividends	-	-	-	-					
Dividend yield	-	-	-	-					

Source: Company reports and J.P. Morgan estimates.

Note: \$ in millions (except per-share data). Fiscal year ends Dec

Overweight

NFLX,NFLX US

Price: \$438.55

Price Target: \$500.00

United States

Internet

Doug Anmuth ^{AC}

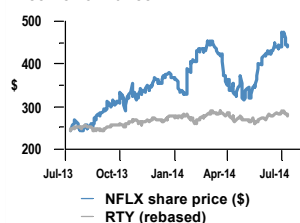
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J.P. Morgan Securities LLC

Price Performance



	YTD	1m	3m	12m
Abs	27.0%	7.1%	36.3%	97.6%
Rel	25.0%	5.3%	31.8%	80.0%

Netflix Inc

Thoughts Into 2Q14 Earnings

Netflix reports 2Q14 earnings on Monday, July 21st and the 5pm ET Q&A discussion with management will be webcast at <http://ir.netflix.com>. We will be co-moderating the video discussion, so please email us any questions you may have ahead of time.

- We expect Netflix to report strong 2Q results with US streaming subs still the focus but Int'l subs are clearly becoming an increasingly important aspect of the Netflix story. **We are modeling 2Q14 ending US streaming subs of 36.2M (522k net adds) vs. guidance of 36.19M subs (516k net adds).** 2Q is typically Netflix's seasonally softest quarter and our net adds estimate of 522k is 18% below our 2Q13 net adds which featured season 1 of *Orange Is The New Black* and Season 4 of *Arrested Development*. We're encouraged by what we believe is strong awareness and viewership around Season 2 of *Orange Is The New Black* which was released in early June. We also think there's room for upside to our international subscriber numbers as Netflix's originals have witnessed strong viewership overseas. We expect increasing consumer awareness of Netflix originals and additional originals through the remainder of 2014 to continue to increase Netflix's content differentiation and drive subscriber additions. **We remain positive on Netflix shares as the company continues to significantly disrupt the linear TV market through strong subscriber growth, content differentiation, and a compelling consumer proposition.** We reiterate our Overweight rating and \$500 price target based on our SOP analysis.
- What we're expecting for 2Q14.** We expect 2Q revenue of \$1.335B, in-line with consensus of \$1.336B. Our 2Q Streaming (US + Intl) revenue estimate of \$1.14B is in-line with guidance of \$1.14B. We estimate 36.2M (guidance of 36.2M) ending US Streaming subs (522k Q/Q net adds) and 13.6M (guidance of 13.6M) international subs (938k net adds). We expect DVD subs to decline to 6.3M (net loss of 380k subs). Our GAAP EPS of \$1.18 is higher than guidance of \$1.12. We believe US growth remains strong and 2014 net adds will surpass 2013 levels, but Netflix's international business is becoming an increasing area of focus among investors given its size and addressable market opportunity. Our bottom-up analysis conservatively suggests international subscribers of 24.5M and 31.6M at the end of 2015 and 2016 respectively.

Overweight

Company Data	
Price (\$)	438.55
Date Of Price	10 Jul 14
52-week Range (\$)	475.87-
	239.21
Market Cap (\$ mn)	26,004.59
Fiscal Year End	Dec
Shares O/S (mn)	59
Price Target (\$)	500.00
Price Target End Date	31-Dec-14

Netflix Inc (NFLX;NFLX US)

FYE Dec	2012A	2013A	2014E	2015E
EPS - Reported (\$)				
Q1 (Mar)	(0.08)	0.04	0.86A	-
Q2 (Jun)	0.10	0.49	1.18	-
Q3 (Sep)	0.13	0.52	1.16	-
Q4 (Dec)	0.13	0.79	1.32	-
FY	0.31	1.85	4.53	8.18
Bloomberg EPS FY (\$)	0.82	2.76	4.88	7.44

Source: Company data, Bloomberg, J.P. Morgan estimates.

- **Guidance.** We expect 3Q14 US streaming net adds of 1.31M (37.5M ending subs) slightly above 3Q13 net adds of 1.29M. We are modeling 2014 net adds of 6.46M (39.9M ending subs). We're modeling 3Q and 2014 EPS of \$1.16 and \$4.53.
- **Little negative feedback from price increases to date.** In May, Netflix announced it would raise prices for most new members worldwide by ~\$1-2 and though it's still early, we think the company has only witnessed a small reaction to the increase, as expected. Over time, the company expects to reinvest some revenue upside from the price increase while maintaining its goal of reaching 30% domestic streaming contribution margin over the next 4 quarters. The company is grandfathering existing Netflix member prices for 2 years and therefore we don't expect much flow-through to financials until 2016.
- **2014 Europe expansion opens up a large TAM in competitive markets.** Our analysis suggests that Germany, France, Austria, Switzerland, Belgium, and Luxembourg represent ~60-70M broadband subscriptions, therefore significantly expanding Netflix's addressable market. We are modeling similar adoption curves in the UK/Ireland and Nordics, though we're conservatively modeling slightly slower adoption in the 2014 Europe expansion countries. We expect Netflix to have ~5M and 8M subscribers in new European markets at the end of 2015 and 2016 respectively. Please see our full report on Netflix's international segment [here](#).
- **Strong awareness and viewership around originals and exclusives.** 2Q witnessed the release of the 2nd season of the Emmy nominated *Hemlock Grove* as well as season 2 of *Orange Is The New Black*. We think originals should help build audiences and have a positive impact on net adds while driving continued awareness of Netflix.
- **New originals should drive continued viewership worldwide.** We expect increasing consumer awareness of Netflix originals to continue in 2014—for both existing and new content-driving greater content differentiation and subscriber additions. Netflix is launching several original shows with DreamWorks this year and the company is also launching an unnamed series with the creators of *Damages*, as well as *Sense8*, a sci-fi series created by The Wachowskis (*The Matrix*) and J. Michael Straczynski (*Babylon 5*). Netflix expects to double its investment in original content in 2014 (though still representing less than 10% of global content expense) given strong traction of its 2013 slate of originals.
- **Room for continued margin expansion.** We think Netflix has continued room to expand margin in the US streaming segment as well as the international streaming segment, even as it continues to expand into new geographies, while the company has maintained DVD margin despite declining subscribers. We expect domestic streaming contribution margin to expand ~440 bps to 27% in 2014, despite a 20% increase in COGS (primarily content costs) as Netflix leverages continued strong domestic subscriber growth and slowing marketing expenses. We expect the overall international segment to remain unprofitable in 2014, though existing markets (excluding the Western Europe expansion) are expected to be profitable on a consolidated basis by year end.

Maintaining Estimates

We are maintaining estimates, as shown in the table below.

Table 9: J.P. Morgan Estimates vs. Consensus

J.P. Morgan Estimates	2Q14E	3Q14E	4Q14E	2014E	2015E
<i>(\$ in millions except per share data)</i>					
Total Revenue	1,335	1,392	1,464	5,460	6,744
Y/Y Growth	24.8%	25.8%	24.5%	24.8%	23.5%
GAAP EPS	\$1.18	\$1.16	\$1.32	\$4.53	\$8.18
Y/Y Growth	143.3%	122.1%	67.3%	NA	NA
<u>Domestic Streaming</u>					
Subscriptions, End of Period	36,196	37,507	39,881	39,881	46,020
Y/Y Growth	21.4%	20.6%	19.3%	19.3%	15.4%
Net Additions (000's)	522	1,311	2,375	6,461	6,138
<u>Domestic DVD</u>					
Subscriptions, End of Period	6,272	5,984	5,810	5,810	4,969
Y/Y Growth	-16.5%	-16.3%	-16.2%	-16.2%	-14.5%
Net Additions (000's)	(380)	(288)	(174)	(1,120)	(840)
<u>International Streaming</u>					
Subscriptions, End of Period	13,621	15,350	17,469	17,469	24,454
Y/Y Growth	75.8%	67.1%	59.8%	59.8%	40.0%
Net Additions (000's)	938	1,729	2,119	6,539	6,986
<u>Total</u>					
Subscriptions, End of Period	56,089	58,841	63,160	63,160	75,443
Y/Y Growth	24.5%	24.1%	23.2%	23.2%	19.4%
Net Additions (000's)	1,080	2,752	4,319	11,880	12,284
<u>Consensus</u>					
Total Revenue	1,336	1,382	1,461	5,448	6,635
GAAP EPS	\$1.15	\$1.04	\$1.00	\$4.13	\$6.80
<u>Guidance</u>					
Domestic Streaming Subs	36.19M				
International Streaming Subs	13.62M				
Domestic Streaming Revenue	\$835M				
International Streaming Revenue	\$304M				
Domestic DVD Contribution Profit	\$92M				
GAAP Net Income	\$69M				
GAAP EPS	\$1.12				

Source: J.P. Morgan estimates, Bloomberg.

Investment Thesis, Valuation and Risks

Netflix Inc (Overweight; Price Target: \$500.00)

Investment Thesis

We believe Netflix is on track toward significantly disrupting the linear TV market through strong subscriber growth, content differentiation, and a better consumer proposition. We think the company is benefiting from key secular trends, including the proliferation of Internet-connected devices and increasing consumer preference for on-demand video consumption over the Internet rather than linear TV. Higher subscribers have a disproportionately larger impact on profitability as relatively fixed content costs account for the majority of Netflix's costs.

Valuation

\$500 Price Target. Our \$500 PT is based on our SOP analysis. We employ a sum-of-the-parts methodology to value NFLX given the significantly different growth and profitability profiles of the US Streaming, US DVD, and International Streaming segments.

Our \$500 price target is based on a sum-of-the-parts analysis which employs a 21x multiple on 2015 US streaming EBITDA of \$884M, 3x 2015 US DVD EBITDA of \$264M, and 5x 2014 International revenue of \$2.03B. See the figure below for our sum-of-the-parts analysis.

	2015			
	US Streaming	US DVD	Intl	Total
Revenue	\$4,045	\$667	\$2,032	\$6,744
Y/Y Growth	19%	-13%	57%	24%
Contribution Profit	\$1,259	\$323	\$100	\$1,682
Margin %	31%	48%	5%	25%
Tech & Dev	\$278	\$51	\$177	\$506
G&A	\$108	\$32	\$76	\$216
Add back Depreciation	\$12	\$24	\$12	\$47
EBITDA	\$884	\$264	(\$141)	\$1,008
Margin %	22%	40%	-7%	15%
Target Multiple*	21x	3x	5x	29.5x
Enterprise Value	\$18,662	\$871	\$10,160	\$29,693
Add cash				\$2,144
Minus debt				(\$899)
Equity Value				\$30,938
shrs outstanding				62
Implied Price/shr				\$500

Source: J.P. Morgan estimates. *Intl uses a revenue multiple.

Risks to Rating and Price Target

Netflix stock could perform below expectations if: The company is unable to strike deals with content owners to continue to expand its streaming catalog; Internet Service Providers add more restrictive data usage caps; Other competitors, such as Redbox, Amazon, or Apple are able to offer more attractive customer offerings and thus take market share; The company is not able to manage future postal price increases effectively.

Netflix Inc: Summary of Financials

Income Statement - Annual	FY13A	FY14E	FY15E	FY16E	Income Statement - Quarterly	1Q14A	2Q14E	3Q14E	4Q14E
Revenues	4,375	5,460	6,744	8,311	Revenues	1,270A	1,335	1,392	1,464
Operating income	228	500	876	1,389	Operating income	98A	130	128	145
D&A	48	48	47	47	D&A	12A	12	12	12
EBITDA	277	549	923	1,436	EBITDA	110A	142	140	157
Net interest income / (expense)	(57)	(34)	(32)	(29)	Net interest income / (expense)	(9)A	(9)	(9)	(8)
Other income / (expense)	(57)	(34)	(32)	(29)	Other income / (expense)	(9)A	(9)	(9)	(8)
Pretax income	171	466	844	1,360	Pretax income	89A	122	119	136
Income taxes	(59)	(187)	(338)	(544)	Income taxes	(36)A	(49)	(48)	(54)
Net Income	112	279	507	816	Net Income	53A	73	72	82
Weighted average diluted shares	61	62	62	62	Weighted average diluted shares	62A	62	62	62
Diluted EPS	1.85	4.53	8.18	13.14	Diluted EPS	0.86A	1.18	1.16	1.32
Balance Sheet and Cash Flow Data	FY13A	FY14E	FY15E	FY16E	Ratio Analysis	FY13A	FY14E	FY15E	FY16E
Cash and cash equivalents	605	1,313	1,633	2,123	Sales growth	21.2%	24.8%	23.5%	23.2%
Accounts receivable	-	-	-	-	EBITDA growth	40.4%	69.7%	21.6%	58.0%
Other current assets	1,858	2,228	2,440	2,675	EPS growth	488.6%	144.7%	80.8%	60.6%
Current assets	3,059	4,051	4,584	5,308	EBITDA margin	56.5%	76.8%	75.7%	97.0%
PP&E	134	157	191	244	Net margin	4.2%	6.6%	8.8%	10.9%
Total assets	5,413	6,542	7,457	8,570	Debt / EBITDA	0.2	0.2	0.2	0.1
Total debt	500	899	899	899	Return on assets (ROA)	4.0%	6.1%	8.5%	11.3%
Total liabilities	4,079	4,781	5,104	5,314	Return on equity (ROE)	17.9%	23.4%	28.8%	32.2%
Shareholders' equity	1,334	1,762	2,353	3,256	Enterprise value / EBITDA	6.9	4.0	3.2	2.0
Net Income (including charges)	112	279	507	816	Enterprise value / Free cash flow	187.9	98.7	54.2	25.0
D&A	48	48	47	47	P/E	237.1	96.9	53.6	33.4
Change in working capital	120	(18)	111	(25)					
Other	-	-	-	-					
Cash flow from operations	98	216	364	717					
Capex	(54)	(68)	(81)	(100)					
Free cash flow	90	169	302	635					
Cash flow from investing activities	(256)	(37)	(146)	(330)					
Cash flow from financing activities	476	528	103	103					
Dividends	-	-	-	-					
Dividend yield	-	-	-	-					

Source: Company reports and J.P. Morgan estimates.

Note: \$ in millions (except per-share data). Fiscal year ends Dec

Overweight

LNKD, LNKD US

Price: \$156.31

Price Target: \$235.00

United States

Internet

Doug Anmuth ^{AC}

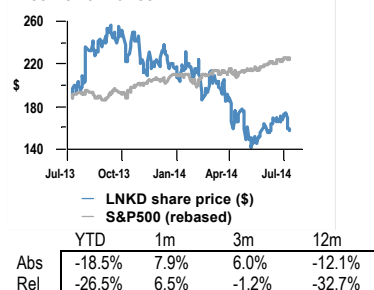
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J.P. Morgan Securities LLC

Price Performance



LinkedIn Corp

Thoughts Into 2Q14 Earnings

We Expect a Solid 2Q & Think LNKD Sets Up Well Into 2H14; Focus on Recruiter Penetration, Engagement, & Sales Navigator

- LinkedIn will report 2Q results on July 31st after the close, with a call at 5pm EST, webcasted at: <http://investors.linkedin.com/>. We remain positive on Talent Solutions (expecting \$293.2M, +43.0% Y/Y) as LinkedIn drives deeper penetration with existing clients, reaches new smaller clients with Recruiter Lite, and continues the International push, where Recruiter is less penetrated. **We expect more details on the call regarding the company's upcoming flagship Sales Navigator v2.0 product launch, with more functionality and stronger sell-in to corporate.** We also expect more color around user and engagement growth given the widening gap between internal LinkedIn metrics and third party estimates partially driven by growing International mobile usage. **We believe LinkedIn is set up well going into the back-half of 2014 given stabilizing Talent growth, increasing Sponsored Content traction, and upcoming re-launch of Sales Navigator.**
- Expect solid 2Q14.** We project 2Q14 revenue of \$514.3M (+41.4% Y/Y) vs. consensus of \$510.9M. Our revenue estimate is \$9M above the high end of guidance (\$500M-\$505M). We expect \$293.2M (+43.0% Y/Y) for Talent Solutions, \$120.0M (+40.2% Y/Y) for Marketing Solutions, and \$101.1M (+38.6% Y/Y) for Premium Subscriptions. We project 2Q14 EBITDA of \$122.9M (+38.7% Y/Y, 23.9% margin) vs. guidance of \$118M-\$120M and consensus of \$119.8M. We note that LinkedIn has beaten the high end of revenue/EBITDA guidance by an average of 6%/34% since its IPO, though more recently (last 4 quarters) LinkedIn has beaten by an average of 5% / 11%.
- Progress towards full workforce representation.** LinkedIn's Job postings growth continues as the company is testing "Limited Listings". These free listings started showing up in late May and are incremental un-paid listings sourced from some US-based companies' career sites and applicant tracking systems. Limited Listings boosted total global job listings on LinkedIn from ~330k to ~1M, but are only viewable to candidates who are actively searching for jobs on LinkedIn. Paid listings (Job Slots and Job Posts) remain prominent and are displayed to both active candidates and the much larger group of passive candidates across the site in places such as "Jobs You May Be Interested In" on the homepage. We believe the Limited Listings test will ultimately boost the platform's value to

Overweight

Company Data

Price (\$)	156.31
Date Of Price	10 Jul 14
52-week Range (\$)	257.56-
	136.02
Market Cap (\$ mn)	18,749.82
Fiscal Year End	Dec
Shares O/S (mn)	120
Price Target (\$)	235.00
Price Target End Date	31-Dec-14

LinkedIn Corp (LNKD; LNKD US)

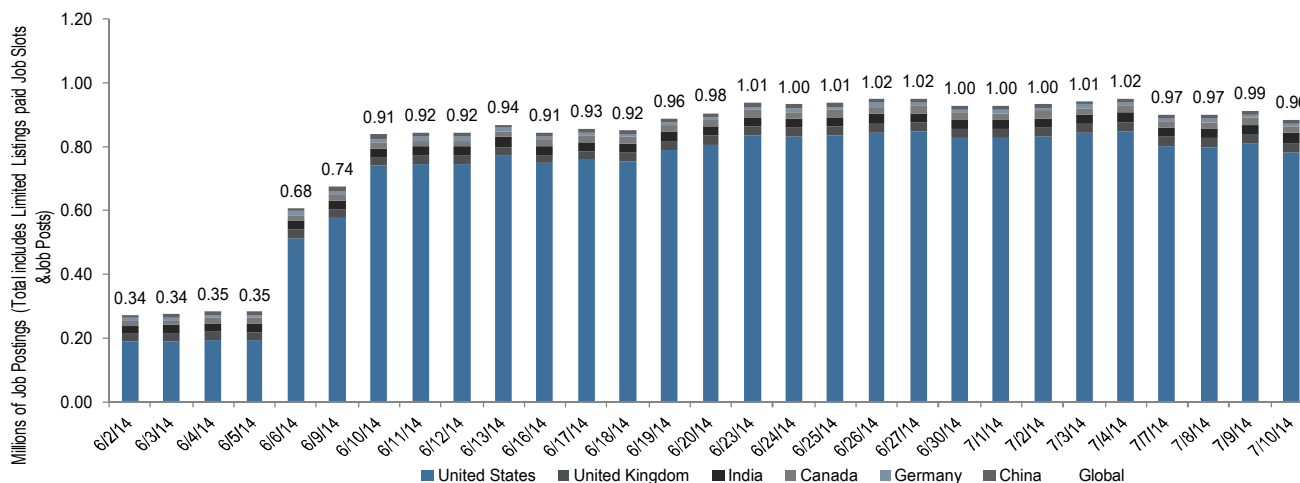
FYE Dec	2012A	2013A	2014E	2015E
EPS - Reported (\$)				
Q1 (Mar)	0.15	0.45	0.38A	-
Q2 (Jun)	0.16	0.38	0.40	-
Q3 (Sep)	0.22	0.39	0.42	-
Q4 (Dec)	0.35	0.39	0.49	-
FY	0.89	1.61	1.76	2.88
Bloomberg EPS FY (\$)	0.72	1.61	1.66	2.50

Source: Company data, Bloomberg, J.P. Morgan estimates.

users and lead to higher engagement and user growth over time, without materially cannibalizing paid Job Slots and Job Posts.

Figure 1: LinkedIn Global Job Postings

in millions



Source: Company materials

- Talent Solutions headroom remains.** We note that Talent Solutions revenue is still growing at impressive rates (+50% Y/Y in 1Q14, expecting 43% Y/Y in 2Q14) and deceleration is stabilizing following growth of +80%, +69%, +62%, and +53% in 1Q13, 2Q13, 3Q13, and 4Q13 respectively. We believe that the concern around slower customer growth may be exaggerated and that ending customers is a diminishingly relevant metric to track Talent Solutions revenue growth. As LinkedIn increases its focus in developed markets on further penetrating existing client relationships, we believe LinkedIn may provide more appropriate metrics over time (e.g. number of seats) that may better correlate to ongoing growth in the segment. We believe significant headroom exists with existing clients (LinkedIn estimates 2-3x) and we are still encouraged by potential for growth in new customers, especially internationally, and capitalizing further on the SMBs opportunity in developed markets. **We expect Talent Solutions upside in 2H14 driven by: 1) Job Postings Growth, including Limited Listings; 2) Headroom within current clients; and 3) Opportunities with new clients, including international companies and SMBs (Recruiter Lite now available as self-serve product for purchase online at lower price point of ~\$100/mo with an annual subscription vs. ~\$720/mo for Recruiter Corporate).**
- Engagement, especially on mobile, to drive strength in Marketing Solutions.** We are encouraged by continued strength in engagement, especially on mobile, where Sponsored Updates have been gaining momentum after launching in 2H13 and now represent almost 20% of Marketing Solutions revenue (as of 1Q14). Importantly, ~70% of Sponsored Updates revenue is mobile, and the company reported 43% of weekly visits come through mobile devices (from 31% last year). **In 1Q14, total page views per unique visitor reached record levels for LinkedIn, driven by investments in the publishing platform and growth of engagement on the homepage.** We note that as Sponsored Updates remains limited to the homepage within mobile, homepage engagement is especially

important—and potential expansion of mobile Sponsored Update placement to other pages such as profiles over time represents incremental opportunity for monetization upside without increasing newsfeed ad load. We highlight homepage traffic is ~25% of total traffic and is growing 50%+ faster than the rest of the site. We are encouraged by advertiser demand and improvements to quality and relevancy of ads, which we believe will support higher click through rates and premium pricing over time. Additionally, we note that the company's investments and expansion in China should provide a tailwind to engagement over time.

- **Third party vs. internal engagement metrics.** We note that third-party engagement may be less reliable for LinkedIn going forward as global mobile usage increasingly drives growth. Using internal metrics that include mobile, LinkedIn reported total unique visitor (UV) growth of +26% Y/Y in 1Q14 and page view growth of +43%. Referencing comScore desktop data, desktop UVs to LinkedIn's total properties grew +9% Y/Y and page views grew +5% Y/Y, while UVs to the standalone LinkedIn property grew +8% Y/Y and page views grew +3% Y/Y.

Maintaining Estimates

We are maintaining our estimates, as shown in the table below.

Table 10: J.P. Morgan Estimates vs. Consensus

\$ in millions, except per share estimates

J.P. MORGAN ESTIMATES	2Q14E	3Q14E	4Q14E	2014E	2015E
(\$ in millions, except per share data)					
Total Revenue	514.3	535.6	583.8	2,107.0	2,726.7
Y/Y Growth	41.4%	36.3%	30.6%	37.8%	29.4%
Talent Solutions	293.2	305.8	322.2	1,197.2	1,539.3
Y/Y Growth	43.0%	36.1%	31.2%	39.3%	28.6%
Marketing Solutions	120.0	123.1	146.1	491.0	657.5
Y/Y Growth	40.2%	39.1%	28.8%	35.5%	33.9%
Premium Subscriptions	101.1	106.7	115.5	418.9	529.9
Y/Y Growth	38.6%	33.7%	31.1%	36.7%	26.5%
Adjusted EBITDA	122.9	131.2	147.7	518.6	703.5
Y/Y Growth	38.7%	41.3%	32.6%	37.8%	35.6%
% Margin	23.9%	24.5%	25.3%	24.6%	25.8%
PF EPS	\$0.40	\$0.42	\$0.49	\$1.76	\$2.88
Y/Y Growth	4.4%	7.6%	25.6%	9.3%	63.2%
WW Members, EOP	302.4	324.0	334.9	334.9	385.2
Y/Y Growth	27.0%	25.0%	21.0%	21.0%	15.0%
CONSENSUS					
Total Revenue	510.9	541.0	599.0	2,126.4	2,814.4
Adjusted EBITDA	119.8	126.6	147.8	512.3	746.3
PF EPS	\$0.39	\$0.40	\$0.49	\$1.66	\$2.50
GUIDANCE					
Total Revenue	\$500M-\$505M			\$2.06B-\$2.08B	
Adjusted EBITDA	\$118M-\$120M			\$505M-\$510M	

Source: Company reports and J.P. Morgan estimates.

Investment Thesis, Valuation and Risks

LinkedIn Corp (*Overweight; Price Target: \$235.00*)

Investment Thesis

Overweight rating. We believe LinkedIn is well positioned to take share of both the ~\$27 billion addressable worldwide market for staffing and acquisition and the ~\$100 billion global online advertising market. We continue to believe LinkedIn is disrupting both the online and offline job recruitment markets, and deeper corporate penetration and increasing member engagement will drive strong results.

Valuation

Price target of \$235. Our \$235 PT is based on our DCF analysis through 2020, which assumes a 9.5% cost of capital, 4% terminal growth rate, and a 19x terminal EBITDA multiple. Key drivers of our DCF projections include 2012-2020 CAGRs of 28% for revenue and 35% for EBITDA, and our price target equates to 39x 2015E EBITDA of \$703M.

Risks to Rating and Price Target

Downside risks include: macro weakness and a softer hiring environment; slowing member growth; a decrease or inability to strengthen user engagement trends; and increased competition from other players both in the U.S. and internationally.

LinkedIn Corp: Summary of Financials

Income Statement - Annual	FY13A	FY14E	FY15E	FY16E	Income Statement - Quarterly	1Q14A	2Q14E	3Q14E	4Q14E
Revenues	1,529	2,107	2,727	-	Revenues	473A	514	536	584
Operating income	48	(11)	67	-	Operating income	(1)A	(5)	(6)	0
D&A	135	225	270	-	D&A	50A	53	58	64
EBITDA	182	214	338	-	EBITDA	49A	48	53	64
Net interest income / (expense)	-	-	-	-	Net interest income / (expense)	-	-	-	-
Other income / (expense)	1	9	11	-	Other income / (expense)	1A	2	3	3
Pretax income	49	(3)	79	-	Pretax income	0A	(3)	(2)	3
Income taxes	(22)	(41)	(28)	-	Income taxes	(14)A	(9)	(9)	(9)
Net Income	27	(43)	51	-	Net Income	(13)A	(12)	(11)	(6)
Weighted average diluted shares	119	121	124	-	Weighted average diluted shares	125A	126	127	129
Diluted EPS	1.61	1.76	2.88	-	Diluted EPS	0.38A	0.40	0.42	0.49
Balance Sheet and Cash Flow Data	FY13A	FY14E	FY15E	FY16E	Ratio Analysis	FY13A	FY14E	FY15E	FY16E
Cash and cash equivalents	803	667	1,062	-	Sales growth	57.2%	37.8%	29.4%	-
Accounts receivable	302	356	436	-	EBITDA growth	68.7%	37.8%	35.6%	-
Other current assets	124	146	172	-	EPS growth	81.4%	9.3%	63.2%	-
Current assets	2,755	2,967	3,468	-	-	-	-	-	-
PP&E	362	412	564	-	EBITDA margin	24.6%	24.6%	25.8%	-
Total assets	3,353	3,754	4,407	-	Net margin	12.6%	10.2%	13.1%	-
Total debt	62	12	27	-	Debt / EBITDA	0.2	0.0	0.0	-
Total liabilities	718	835	1,087	-	-	-	-	-	-
Shareholders' equity	2,634	2,919	3,320	-	Return on assets (ROA)	8.1%	6.0%	8.7%	-
-	-	-	-	-	Return on equity (ROE)	10.8%	7.7%	11.4%	-
Net Income (including charges)	27	(43)	51	-	-	-	-	-	-
D&A	135	225	270	-	Enterprise value / EBITDA	49.4	36.0	26.0	-
Change in working capital	120	109	130	-	Enterprise value / Free cash flow	121.0	94.7	46.4	-
Other	-	-	-	-	P/E	694.4	NM	377.9	-
Cash flow from operations	432	580	818	-	-	-	-	-	-
Capex	(278)	(383)	(423)	-	-	-	-	-	-
Free cash flow	154	197	395	-	-	-	-	-	-
Cash flow from investing activities	(1,358)	(742)	(423)	-	-	-	-	-	-
Cash flow from financing activities	1,450	24	0	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	-	-	-
Dividend yield	-	-	-	-	-	-	-	-	-

Source: Company reports and J.P. Morgan estimates.

Note: \$ in millions (except per-share data). Fiscal year ends Dec

Neutral

TRIP,TRIP US

Price: \$103.35

Price Target: \$100.00

United States

Internet

Doug Anmuth ^{AC}

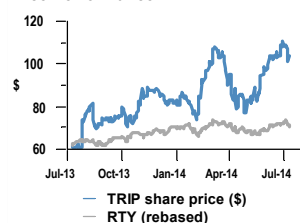
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J.P. Morgan Securities LLC

Price Performance



	YTD	1m	3m	12m
Abs	33.5%	3.2%	28.9%	70.1%
Rel	31.5%	1.4%	24.4%	52.5%

TripAdvisor, Inc.

Thoughts Into 2Q14 Earnings

TripAdvisor reports 2Q earnings on Wednesday, July 23rd after the close (dial-in number for the 5pm ET call is 877-224-9081). The first half of 2014 has been eventful for TripAdvisor including good momentum with the metasearch product, the roll-out of Instant Book on mobile and the continued growth of the vacation rental business. Recall that metasearch CPC pricing reached revenue neutrality in the month of December of 2013 with growing momentum through 1Q and, we believe, 2Q as well.

- **What we're expecting.** We expect strong 2Q results based on higher conversion rates and pricing driven by meta, yielding increased revenue per hotel shopper. We project 2Q revenue of \$321.1M (+30.0% Y/Y), vs. consensus of \$321.5M, and EBITDA of \$133.6M, slightly below consensus at \$135.4M, but believe there is likely upside to these estimates, and with more favorable comps coming in 2H14.
- **Focus on Monetization and Revenue Per Hotel Shopper.** We expect TripAdvisor to report modest Hotel Shopper growth in the mid-teens consistent with the 14% Y/Y observed in 1Q. However, we believe monetization trends are improving meaningfully and should drive click-based advertising revenue growth above our 26% Y/Y estimate. Specifically, we noted that 1Q marked the first quarter that TripAdvisor recognized positive revenue per hotel shopper growth (we calculate 1% Y/Y). During 2Q, we expect revenue per hotel shopper growth to accelerate to high single digits % Y/Y and continue accelerating toward a mid-teens % Y/Y level during 2H. The key drivers of better revenue per hotel shopper growth include: 1) an improved metasearch user experience, 2) higher rates of conversion, 3) an efficient auction that enables travel suppliers and agents to bid up on higher converting clicks, and 4) improving monetization of mobile users which represent over 44% of traffic.
- **Increasing visibility into Instant Book desktop timing.** A key catalyst to the TripAdvisor story is the timing and level of participation around the desktop roll-out of the Instant Book product. Specifically, we think Instant Book is positively disruptive to the existing metasearch environment and will drive increased clicks and superior CPC pricing thanks to higher conversion rates on the "Book on TripAdvisor" button. However, TripAdvisor only has a limited number of partners on the mobile version of Instant Book currently, and it's crucial that the company ultimately brings on larger hotel chains as well as Priceline and Expedia (TripAdvisor's two largest advertisers that contribute nearly 50% of revenue).

Neutral

Company Data	
Price (\$)	103.35
Date Of Price	10 Jul 14
52-week Range (\$)	111.24-59.74
Market Cap (\$ mn)	15,207.67
Fiscal Year End	Dec
Shares O/S (mn)	147
Price Target (\$)	100.00
Price Target End Date	31-Dec-14

TripAdvisor, Inc. (TRIP;TRIP US)

FYE Dec	2012A	2013A	2014E	2015E
EPS - Reported (\$)				
Q1 (Mar)	0.38	0.50	0.54A	-
Q2 (Jun)	0.42	0.52	0.59	-
Q3 (Sep)	0.46	0.45	0.62	-
Q4 (Dec)	0.29	0.21	0.39	-
FY	1.55	1.68	2.14	2.74
Bloomberg EPS FY (\$)	1.52	1.68	2.18	2.81

Source: Company data, Bloomberg, J.P. Morgan estimates.

- **Display and Subscription & Other revenue.** We look for Display-based ad revenue growth of 17% Y/Y in 2Q to decelerate relative to the 28% Y/Y growth observed during 1Q. In 2Q through May, comScore reported unique visitor growth of 14% Y/Y, consistent with the 14% Y/Y rate observed in 1Q. We look for Subscription & Other revenue growth of 67% Y/Y, driven by business listings and the vacation rentals business.
- **Increasing TV ad spend through the remainder of 2014 to drive awareness.** We expect TripAdvisor's TV ad spending to pick up during the 2H14 and to limit EBITDA margin upside that would otherwise be driven by leverage achieved from the accelerating revenue. We also expect the TV ad campaigns to aid in driving higher hotel shopper growth as consumers become more aware of the meta display format and the mobile Instant Booking feature. We are projecting 2Q EBITDA of \$133.6M (+18.4%% Y/Y, 41.6% margin), modestly below consensus at \$135.4M (42.1% margin). We look for adjusted EPS of \$0.59, essentially in-line with consensus at \$0.60.
- **Other items of interest:** 1) Update on the progress and traction achieved with TripConnect ; 2) More details on the acquisition of LaForchette, impact to the model and thoughts around Priceline's proposed acquisition of OpenTable; 3) Mobile share of traffic and ad revenue, app downloads, and conversion metrics; and 4) Progress in China and vacation rentals business.

Maintaining Estimates

We are maintaining our estimates, as shown in the table below.

Table 11: J.P. Morgan Estimates vs. Consensus

J.P. Morgan Estimates	2Q14E	3Q14E	4Q14E	2014E	2015E
(\$ in millions except per share data)					
Revenue	321.1	340.8	288.0	1,230.9	1,532.1
Y/Y Growth	30.0%	33.6%	35.4%	30.3%	24.5%
Click-based Advertising	229.8	247.0	193.5	877.7	1,070.8
Y/Y Growth	25.7%	30.5%	34.0%	26.1%	22.0%
Display-based Advertising	36.8	35.1	34.8	138.2	160.4
Y/Y Growth	17.4%	15.0%	7.0%	16.2%	16.0%
Subscription and other	54.5	58.7	59.7	215.0	300.9
Y/Y Growth	66.5%	66.0%	67.0%	65.7%	40.0%
EBITDA	133.6	140.4	95.9	491.9	634.3
Y/Y Growth	18.4%	34.5%	83.9%	29.9%	28.9%
% Margin	41.6%	41.2%	33.3%	40.0%	41.4%
Adjusted EPS	\$0.59	\$0.62	\$0.39	\$2.14	\$2.74
Y/Y Growth	13.2%	37.9%	85.6%	26.9%	28.1%
Consensus					
Revenue	321.5	344.8	288.4	1,237.4	1,545.1
EBITDA	135.4	144.9	93.8	496.4	642.0
Adjusted EPS	\$0.60	\$0.64	\$0.39	\$2.18	\$2.81

Source: J.P. Morgan estimates, Bloomberg.

Investment Thesis, Valuation and Risks

TripAdvisor, Inc. *(Neutral; Price Target: \$100.00)*

Investment Thesis

Neutral rating on TripAdvisor. We believe TripAdvisor is well positioned in the growing travel ad market with its large database of rich user-generated content and positive network effects. However, we believe the travel review space is becoming increasingly competitive, and we have limited visibility into overall impact on pricing and demand. We believe the transition to a meta display model is a positive catalyst for TripAdvisor in the long term as it has reached revenue growth in 1Q14. However, concerns on deceleration of hotel shopper growth may cause choppiness in the next few quarters. We believe shares are fairly valued at these levels and would like to see continued increases in meta display pricing, reacceleration in growth of hotel shoppers in 2H14, incremental revenues from assisted bookings on mobile in 2014, and further traction of TripConnect.

Valuation

Price target of \$100. Our December 2014 price target of \$100 is based on ~22x our 2015 EBITDA estimate of \$634M. This is equivalent to ~37x our 2015 adjusted EPS estimate of \$2.74. We believe higher multiples on TRIP are warranted given ongoing improvements in conversion per hotel shopper, greater pricing benefits from metasearch, the launch of Instant Book, and potential upside in coming quarters from increased marketing spend. We believe TRIP should trade at a premium to its online advertising/lead-gen (average ~15x 2015E EBITDA) peers and online travel comps (average ~11x 2015E EBITDA) given 1) strong engagement, traffic, and content growth; 2) the new meta search display model, which we believe should lead to an improved user interface, higher conversions and engagement, and higher revenues from its OTA customers over time; and 3) longer term drivers of growth from new products such as the mobile booking path and TripConnect.

Risks to Rating and Price Target

Upside risks include: TripAdvisor is able to reaccelerate hotel shopper growth; greater than expected increase in CPCs post the meta search display transition and on favorable travel industry metrics; increased monetization from international markets faster than expected; higher volumes of participation from other OTA advertising partners; Subscription and Other segment becoming a meaningful contributor to growth more quickly than projected.

Downside risks include: macroeconomic concerns negatively impacting the travel advertising industry and CPCs; Google's travel products increasing competitive pressures through significant progress in online traffic trends and travel ad spend; a decline in contribution from advertising partners due to pressures in volume or pricing; greater than expected headwinds to revenue growth following the meta display transition; higher than expected sales and marketing costs, particularly associated with offline TV advertising.

TripAdvisor, Inc.: Summary of Financials

Income Statement - Annual	FY13A	FY14E	FY15E	FY16E	Income Statement - Quarterly	1Q14A	2Q14E	3Q14E	4Q14E
Revenues	945	1,231	1,532	1,854	Revenues	281A	321	341	288
Operating income	295	365	482	615	Operating income	96A	100	105	64
D&A	35	55	60	67	D&A	12A	14	15	15
EBITDA	330	421	542	682	EBITDA	108A	114	120	79
Net interest income / (expense)	0	0	0	0	Net interest income / (expense)	0A	0	0	0
Other income / (expense)	(10)	(8)	(6)	(4)	Other income / (expense)	(2)A	(2)	(1)	(2)
Pretax income	285	358	476	611	Pretax income	94A	98	104	62
Income taxes	(79)	(100)	(133)	(171)	Income taxes	(26)A	(27)	(29)	(17)
Net Income	205	258	343	440	Net Income	68A	71	75	44
Weighted average diluted shares	145	147	151	156	Weighted average diluted shares	147A	146	147	149
Diluted EPS	1.68	2.14	2.74	3.38	Diluted EPS	0.54A	0.59	0.62	0.39
Balance Sheet and Cash Flow Data	FY13A	FY14E	FY15E	FY16E	Ratio Analysis	FY13A	FY14E	FY15E	FY16E
Cash and cash equivalents	351	507	1,037	1,537	Sales growth	23.8%	30.3%	24.5%	21.0%
Accounts receivable	97	101	107	130	EBITDA growth	7.5%	29.9%	28.9%	25.1%
Other current assets	51	33	33	33	EPS growth	8.9%	26.9%	28.1%	23.3%
Current assets	630	783	1,309	1,842	EBITDA margin	40.1%	40.0%	41.4%	42.8%
PP&E	82	118	173	231	Net margin	25.9%	25.6%	27.1%	28.4%
Total assets	1,473	1,761	2,349	2,948	Debt / EBITDA	1.0	0.7	0.6	0.5
Total debt	368	361	361	361	Return on assets (ROA)	17.7%	19.5%	20.2%	19.9%
Total liabilities	609	669	697	717	Return on equity (ROE)	30.8%	32.2%	30.2%	27.1%
Shareholders' equity	864	1,092	1,652	2,230	Enterprise value / EBITDA	29.3	22.2	16.4	12.5
Net Income (including charges)	205	258	343	440	Enterprise value / Free cash flow	37.7	31.0	25.4	19.8
D&A	35	55	60	67	P/E	73.1	59.0	45.6	36.7
Change in working capital	58	71	21	(2)					
Other	-	-	-	-					
Cash flow from operations	350	447	516	616					
Capex	(55)	(96)	(107)	(116)					
Free cash flow	294	352	409	500					
Cash flow from investing activities	(197)	(96)	(107)	(116)					
Cash flow from financing activities	(170)	(75)	0	0					
Dividends	-	-	-	-					
Dividend yield	-	-	-	-					

Source: Company reports and J.P. Morgan estimates.

Note: \$ in millions (except per-share data). Fiscal year ends Dec

Neutral

EXPE,EXPE US

Price: \$79.33

Price Target: \$80.00

United States

Internet

Doug Anmuth ^{AC}

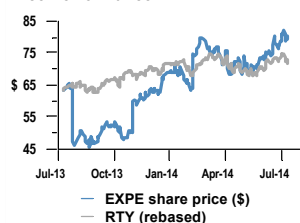
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J.P. Morgan Securities LLC

Price Performance



	YTD	1m	3m	12m
Abs	16.8%	7.7%	17.9%	29.6%
Rel	14.8%	5.9%	13.4%	12.0%

Expedia, Inc.

Thoughts Into 2Q14 Earnings

We expect 2Q results to show top-line upside driven by tailwinds from the Travelocity partnership and continued momentum with the Expedia Traveler Preference (ETP) program. Although comScore web traffic continues to indicate that Hotwire is struggling (unique visitors down 37% Y/Y in 2Q through May according to comScore), we believe that Brand Expedia, Hotels.com and Trivago are performing well and positioned to offset the Hotwire weakness. We also note that Easter shifted into 2Q this year creating a tailwind for all travel companies. Finally, the ETP program is leading to significant agency room night growth while the Travelocity partnership continues to drive incremental domestic room nights and domestic air ticket volume to the Expedia platform (with incremental Canadian traffic coming online in 2Q).

- **What we're expecting.** We are forecasting 2Q net revenue of \$1.43B (+18.6% Y/Y), EBITDA of \$224.9M (+17.3% Y/Y, 15.7% margin) and adjusted EPS of \$0.86, compared to consensus of \$1.44B, \$212.9M, and \$0.76. We believe Expedia is investing to expand its international footprint through its various brands including Hotels.com, Hotwire, among many others, though we believe it continues to be challenging to compete against Priceline's Booking.com. **Given intensifying competitive dynamics in the online travel space, Expedia is increasing its sales and marketing investments, which is expected to pressure margins in the near term.**
- **Updates to Full Year 2014 EBITDA Guidance.** In contrast to travel peers, Expedia provides guidance during the conference call that is typically limited to a full year EBITDA growth rate range and no top-line guidance. Despite upside to 1Q EBITDA, the full year EBITDA growth outlook provided on the 1Q call remained at 13%-16% Y/Y "with the vast majority of the dollar growth generated in the back half of the year." **A key to the 2Q results will therefore be whether potential upside during 2Q will give management enough reason to increase full year EBITDA projections.** It is also possible that management chooses to maintain EBITDA growth, despite 2Q upside, driven by incremental marketing spend during 2H to follow suit with competitors.

Neutral

Company Data

Price (\$)	79.33
Date Of Price	10 Jul 14
52-week Range (\$)	82.36-45.69
Market Cap (\$ mn)	10,451.78
Fiscal Year End	Dec
Shares O/S (mn)	132
Price Target (\$)	80.00
Price Target End Date	31-Dec-14

Expedia, Inc. (EXPE;EXPE US)

FYE Dec	2012A	2013A	2014E	2015E
EPS - Reported (\$)				
Q1 (Mar)	0.26	0.25	0.16A	-
Q2 (Jun)	0.89	0.64	0.86	-
Q3 (Sep)	1.32	1.43	1.68	-
Q4 (Dec)	0.63	0.92	1.09	-
FY	3.46	3.22	3.79	4.69
Bloomberg EPS FY (\$)	3.12	3.16	3.79	4.43

Source: Company data, Bloomberg, J.P. Morgan estimates.

- Subsidiary brands and strategic partnerships driving room night acceleration.** We expect Travelocity and eLong to drive a modest acceleration in room night growth vs. the 23.8% Y/Y rate observed during 1Q. During 1Q Travelocity added approximately 900k incremental room nights or 300bps to room night growth. In addition, eLong (Expedia's majority owned unit based in China) contributed 7M room nights which were up 43% Y/Y. Excluding eLong and Travelocity, organic Expedia brands experienced a modest deceleration in room night growth to 17% Y/Y vs. approximately 20% Y/Y (ex eLong) in 4Q13. For 2Q14 eLong guided to 10-20% Y/Y net revenue growth, which, oddly enough, implies room night growth in-line to slightly above the 43% Y/Y level experienced in 1Q (the variance is driven by lower revenue per room night). Net net, we expect both int'l and domestic room night growth to accelerate modestly in 2Q.
- Other key items:** 1) a discussion of the Wotif.com acquisition/impact on model, 2) an update on Expedia's ETP progress, most recently at over 51,000 hotels under contract out of 290,000 with management indicating a significant increase through 2014; 3) continued share repurchases (we project \$122M worth of share buy-backs during 2Q or approximately 1.9M shares at an average price of \$65 and model \$244M worth of share buy-backs during 2H14 or approximately 3M shares at an average price of \$80); 4) Trivago benefits in 2H following heavy advertising spend in 1H14; 5) an update on Hotwire given a recovery in that segment has proven somewhat elusive.

Maintaining Estimates

We are maintaining our estimates, as shown below.

Table 12: J.P. Morgan Estimates vs. Consensus

J.P. Morgan Estimates	2Q14E	3Q14E	4Q14E	2014E	2015E
(\$ in millions except per share data)					
Gross Bookings	13,105	13,533	11,715	50,977	57,345
Y/Y Growth	29.5%	29.7%	28.7%	29.2%	12.5%
Total Revenue	1,429	1,685	1,366	5,681	6,429
Y/Y Growth	18.6%	20.2%	18.6%	19.1%	13.2%
Adjusted EBITDA	225	394	287	1,013	1,191
Y/Y Growth	17.3%	15.8%	18.7%	15.2%	17.6%
% Margin	15.7%	23.4%	21.0%	17.8%	18.5%
Adjusted EPS	\$0.86	\$1.68	\$1.09	\$3.79	\$4.69
Y/Y Growth	35.2%	18.1%	18.4%	17.4%	23.8%
Consensus					
Total Revenue	1,440	1,664	1,354	5,658	6,376
Adjusted EBITDA	213	402	296	1,017	1,155
Adjusted EPS	\$0.76	\$1.74	\$1.15	\$3.79	\$4.43

Source: J.P. Morgan estimates, Bloomberg.

Investment Thesis, Valuation and Risks

Expedia, Inc. (Neutral; Price Target: \$80.00)

Investment Thesis

Expedia has a portfolio of strong brands with significant global scale, and is focused on growing its hotel business and continuing to shift its bookings mix to international markets. We believe Expedia is investing to expand its international footprint through its various brands including Hotels.com, Hotwire, among many others, though we believe it continues to be challenging to compete against Priceline's Booking.com. Given intensifying competitive dynamics in the online travel space, Expedia is increasing its sales and marketing investments, which is expected to pressure margins in the near term.

Valuation

Maintaining \$80 Price Target. Our \$80 Dec-14 PT is based on ~17x our 2015E PF EPS of \$4.69, which is equivalent to ~21x our 2014E PF EPS of \$3.79. We believe our ~17x 2015E PF EPS multiple is appropriate as we believe shares of EXPE should trade at a discount to PCLN given PCLN's higher top-line growth and profitability—PCLN currently trades at ~19x our 2015 PF EPS estimate of \$65.91. We also think EXPE should trade at a discount to high-growth Internet peers that currently trade at ~37x 2015E EPS.

Risks to Rating and Price Target

Upside risks include: higher-than-expected international bookings growth for the Expedia brand and Hotels.com; increased efficiency and incremental bookings generated from benefits from the platform migration; upside to international bookings driven by the ETP roll-out, AirAsia JV, and/or China Southern Airlines partnership.

Downside risks include: a significant slowdown in the global travel industry; Expedia brand performing below expectations post platform migration; increased competition in the U.S. and International markets resulting in significantly higher sales and marketing investments; Google's travel products or search ad changes leading to a reduction in bookings and online traffic.

Expedia, Inc.: Summary of Financials

Income Statement - Annual	FY13A	FY14E	FY15E	FY16E	Income Statement - Quarterly	1Q14A	2Q14E	3Q14E	4Q14E
Revenues	4,771	5,681	6,429	7,072	Revenues	1,200A	1,429	1,685	1,366
Operating income	366	587	732	899	Operating income	(3)A	126	290	174
D&A	212	300	343	370	D&A	62A	75	77	86
EBITDA	794	926	1,097	1,292	EBITDA	81A	207	374	264
Net interest income / (expense)	(63)	(58)	(52)	(47)	Net interest income / (expense)	(16)A	(13)	(14)	(15)
Other income / (expense)	(65)	(64)	(58)	(53)	Other income / (expense)	(16)A	(5)	(25)	(17)
Pretax income	301	523	675	847	Pretax income	(19)A	120	265	158
Income taxes	(84)	(136)	(155)	(186)	Income taxes	(0)A	(30)	(66)	(39)
Net Income	233	379	494	627	Net Income	(14)A	85	194	114
Weighted average diluted shares	140	134	133	132	Weighted average diluted shares	135A	133	133	134
Diluted EPS	3.22	3.79	4.69	5.76	Diluted EPS	0.16A	0.86	1.68	1.09
Balance Sheet and Cash Flow Data	FY13A	FY14E	FY15E	FY16E	Ratio Analysis	FY13A	FY14E	FY15E	FY16E
Cash and cash equivalents	1,373	1,433	1,520	1,842	Sales growth	18.4%	19.1%	13.2%	10.0%
Accounts receivable	615	751	836	919	EBITDA growth	9.8%	15.2%	17.6%	17.1%
Other current assets	232	296	296	296	EPS growth	(6.7%)	17.4%	23.8%	22.9%
Current assets	2,219	2,480	2,652	3,057	EBITDA margin	18.4%	17.8%	18.5%	19.7%
PP&E	481	580	701	833	Net margin	9.5%	8.9%	9.7%	10.7%
Total assets	7,739	8,143	8,435	8,972	Debt / EBITDA	1.4	1.2	1.0	0.9
Total debt	1,249	1,249	1,249	1,249	Return on assets (ROA)	6.1%	6.4%	7.5%	8.7%
Total liabilities	5,116	5,518	5,804	6,202	Return on equity (ROE)	19.4%	23.1%	29.2%	34.4%
Shareholders' equity	2,259	2,134	2,140	2,280	Enterprise value / EBITDA	7.8	6.8	5.7	4.6
Net Income (including charges)	216	373	494	627	Enterprise value / Free cash flow	13.6	11.5	9.8	7.0
D&A	212	300	343	370	P/E	47.8	28.0	21.4	16.7
Change in working capital	107	127	125	238					
Other	-	-	-	-					
Cash flow from operations	763	898	1,040	1,312					
Capex	(309)	(344)	(386)	(424)					
Free cash flow	504	599	696	926					
Cash flow from investing activities	(526)	(702)	(386)	(424)					
Cash flow from financing activities	(493)	(503)	(567)	(567)					
Dividends	(76)	(79)	(79)	(79)					
Dividend yield	-	-	-	-					

Source: Company reports and J.P. Morgan estimates.

Note: \$ in millions (except per-share data). Fiscal year ends Dec

Overweight

KING, KING US

Price: \$19.86

Price Target: \$30.00

United States

Internet

Doug Anmuth ^{AC}

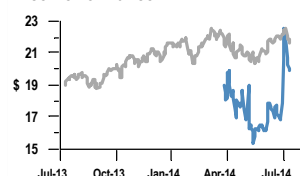
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J.P. Morgan Securities LLC

Price Performance



	YTD	1m	3m	12m
Abs	9.1%	15.8%	12.9%	9.1%
Rel	7.1%	14.0%	8.4%	-8.5%

King Digital Entertainment

Thoughts Into 2Q14 Earnings

We expect King to report 2Q results in early- to mid-August and we remain confident in the company's ability to post 2Q14 upside driven by the strong performance of existing games such as *Candy Crush Saga* and *Farm Heroes Saga* and the recent launch of *Bubble Witch 2 Saga*.

- What we're expecting.** *Candy* and *Farm* held their top 5 positions on both iOS and Android during 2Q. While gradual declines in top gross app rankings are inevitable, we believe *Candy* will have a long tail as it holds the #2 position and King is adding more game content, changing payment mechanics, and soon launching the game in China through Tencent. And as we look toward the back half, **we are optimistic on the *Candy* sister title, *Candy Crush Soda Saga*, and additional IP that will help drive bookings growth and diversification.** Additionally, we note that King finished 1Q with nearly \$700M of cash and we project more than \$800M of free cash flow this year. We believe King could look to return cash to shareholders over time over time. Please see our [KING note](#) published on June 30 for more details. ***Candy Crush Saga* continues to rank as the #2 grossing app on iOS and Android.** *Candy* generated \$429M in bookings during 1Q (or \$4.8M in bookings per day). To be conservative, we have modeled *Candy Crush* DAUs and bookings down 21M and down \$89M, respectively, Q/Q. We believe there could be some adverse seasonality (and even World Cup impact in 2Q)—which King may not have witnessed a year ago during *Candy*'s ramp—but we believe DAUs and bookings will likely come in above our expectations.
- Farm Heroes* has done very well since launching in early January with its top grossing app ranking “mode” at #5 during 2Q vs. a #6 rank during 1Q. We think using a mode makes sense as it captures the position that the app held most frequently during the period. Average rankings, in our view, can be misleading for newer games that start in low ranking positions. Our model calls for *Farm Heroes* to grow bookings from \$108M in 1Q to \$167M in 2Q, which we view as realistic as the game grows its user base and monetizes each user more effectively. Our 2Q estimate implies that *Farm Heroes* generates \$1.8M in bookings per day vs. \$1.2M in bookings per day during 1Q.

Overweight

Company Data

Price (\$)	19.86
Date Of Price	10 Jul 14
52-week Range (\$)	23.48-15.26
Market Cap (\$ mn)	6,430.43
Fiscal Year End	Dec
Shares O/S (th)	323,788
Price Target (\$)	30.00
Price Target End Date	31-Dec-14

King Digital Entertainment plc (KING;KING US)

FYE Dec	2012A	2013A	2014E	2015E	2016E
EPS - Reported (\$)					
Q1 (Mar)	0.02	0.20	0.61A	-	-
Q2 (Jun)	0.02	0.45	0.57	-	-
Q3 (Sep)	0.02	0.70	0.59	-	-
Q4 (Dec)	0.02	0.64	0.57	-	-
FY	0.06	2.00	2.34	2.49	2.73

Source: Company data, Bloomberg, J.P. Morgan estimates.

- ***Pet Rescue* averaged a #9 top grossing iOS app ranking during Q2, but recent trends suggest it is experiencing some pressure.** *Pet's* top grossing iOS app ranking "mode" was #10 during 2Q vs. a #7 mode during 1Q. We estimate *Pet Rescue* generated \$68M in bookings during 1Q with bookings estimated to fall to \$60M in 2Q.
- **Recent and upcoming King launches should lead to growth and revenue diversification.** King soft launched *Candy Crush Soda Saga* in Canada, Sweden, Spain and The Netherlands in mid-June. **We expect the game to launch worldwide later in the year helping to re-energize the existing *Candy* gamer base, while attracting incremental players.** King has also partnered with Tencent to launch a Chinese language version of *Candy Crush* for the China market this summer. China is a significant growth opportunity with over 500M mobile Internet users per CNNIC. In addition, ***Bubble Witch 2 Saga* was launched in mid-June and has already reached a top 15 grossing app position on iOS and Android driven by cross-promotion with *Candy Crush Saga*.** Finally, a new game titled *Pyramid Solitaire Saga* has recently launched on mobile in the U.S. and represents King's incremental focus on the cards and casino category.
- **Attractive financial model drives strong margins and FCF.** King has done both buybacks and dividends as a private company, and we believe the company could look to return cash to shareholders in the form of a buyback or special dividend.
- **Strong secular tailwinds supporting bookings growth.** We believe casual gaming is experiencing a rapid shift towards mobile, driven by the proliferation of devices, ease of play, and short but frequent gaming sessions. According to Strategy Analytics, worldwide smartphone users are expected to grow at a 17% CAGR over the next five years from 1.7B to 3.7B users in 2018. Tablet users are also expected to witness continued strong growth, reaching 1.3B by 2018. In addition to increased mobile penetration, we expect rising engagement and time spent on mobile devices to continue expanding King's overall market opportunity.
- **Overweight rating and \$30 PT.** Our \$30 PT is based on 7.5x 2015E EBITDA of \$1.1B and also implies 12.3x 2015E PF EPS, both in line with digital gaming comps.

Maintaining Estimates

We are maintaining our estimates, as shown below.

Table 13: J.P. Morgan Estimates vs. Consensus

J.P. Morgan Estimates (\$ in millions except per share data)	2Q14E	3Q14E	4Q14E	2014E	2015E
Gross Bookings	645	659	678	2622	3070
Y/Y Growth	34%	2%	7%	32%	17%
Revenue	604	613	642	2465	2912
Y/Y Growth	33%	-1%	7%	31%	18%
Adjusted EBITDA	240	252	249	990	1129
Y/Y Growth	30%	-13%	-7%	20%	14%
EBITDA Margin	37%	38%	37%	38%	37%
PF EPS	\$0.57	\$0.59	\$0.57	\$2.34	\$2.49
Y/Y Growth	25%	-17%	-12%	17%	7%
Consensus					
Adj. Revenue	607	610	641	2467	2872
EBITDA	245	247	249	992	1100
PF EPS	\$0.59	\$0.60	\$0.59	\$2.39	\$2.60
Guidance					
Revenue	~\$607			\$2,400-\$2,500	
Bookings	~\$646			\$2,550-\$2,660	
EBITDA	~\$249			\$960-\$1,000	

Source: J.P. Morgan estimates, Bloomberg.

Investment Thesis, Valuation and Risks

King Digital Entertainment (Overweight; Price Target: \$30.00)

Investment Thesis

King is a global leader in mobile games and is poised to benefit from key trends including continued growth in social, increased smartphone and tablet penetration, the rapidly growing app economy, and the secular shift toward free-to-play games. We believe King has a sophisticated and structured game development process that successfully identifies potential franchise games while also minimizing risk.

Valuation

Our \$30 PT is based on 7.5x 2015E EBITDA of \$1.1B and is in line with digital gaming comps such as Activision, EA, NetEase, GungHo, and Changyou.

Risks to Rating and Price Target

1) Hit-driven nature of games makes it difficult to model financials; 2) Bookings are heavily driven by Candy Crush, which is in decline; 3) Bookings heavily concentrated among a small group of players; and 4) King faces significant competition from large and small game developers.

King Digital Entertainment: Summary of Financials

Income Statement - Annual	FY13A	FY14E	FY15E	FY16E	Income Statement - Quarterly	1Q14A	2Q14E	3Q14E	4Q14E
Gross Revenues	1,979,821	2,622,316	3,070,012	3,432,076	Gross Revenues	641,089A	644,614	658,638	678,065
Revenues	1,884,301	2,465,373	2,911,907	3,257,040	Revenues	606,709A	604,003	612,533	642,127
Operating income	716,006	762,056	937,889	1,060,511	Operating income	161,479A	199,508	195,615	205,454
D&A	6,363	18,765	31,901	37,324	D&A	2,765A	4,000	5,000	7,000
EBITDA	722,369	780,821	969,789	1,097,835	EBITDA	164,244A	203,508	200,615	212,454
Net interest income / (expense)	(1,731)	3,895	9,285	14,860	Net interest income / (expense)	0A	1,028	1,316	1,551
Other income / (expense)	(1,731)	3,895	9,285	14,860	Other income / (expense)	0A	1,028	1,316	1,551
Pretax income	714,275	765,951	947,173	1,075,372	Pretax income	161,479A	200,536	196,931	207,005
Income taxes	(146,681)	(154,906)	(189,435)	(215,074)	Income taxes	(34,012)A	(40,107)	(39,386)	(41,401)
Net Income	567,594	611,045	757,739	860,298	Net Income	127,467A	160,429	157,545	165,604
Weighted average diluted shares	323,788	331,142	355,661	366,331	Weighted average diluted shares	308,842A	331,894	338,532	345,302
Diluted EPS	2.00	2.34	2.49	2.73	Diluted EPS	0.61A	0.57	0.59	0.57
Balance Sheet and Cash Flow Data	FY13A	FY14E	FY15E	FY16E	Ratio Analysis	FY13A	FY14E	FY15E	FY16E
Cash and cash equivalents	408,695	1,344,793	2,369,023	3,575,163	Sales growth	1046.1%	30.8%	18.1%	11.9%
Accounts receivable	216,881	449,489	582,381	651,408	EBITDA growth	2796.1%	20.0%	14.1%	12.9%
Other current assets	1,379	1,379	1,379	1,379	EPS growth	3460.2%	16.7%	6.6%	9.8%
Current assets	626,955	1,795,661	2,952,783	4,227,950	EBITDA margin	43.8%	40.2%	38.8%	39.1%
PP&E	14,258	27,648	37,626	47,803	Net margin	34.4%	31.4%	30.4%	30.8%
Total assets	806,863	1,988,114	3,157,013	4,443,713	Debt / EBITDA	-	-	-	-
Total debt	-	-	-	-	Return on assets (ROA)	147.0%	55.3%	34.4%	26.4%
Total liabilities	439,476	766,623	1,026,294	1,282,332	Return on equity (ROE)	323.3%	97.4%	52.8%	37.9%
Shareholders' equity	367,387	1,221,490	2,130,720	3,161,381	Enterprise value / EBITDA	NM	NM	NM	NM
Net Income (including charges)	687,311	581,008	757,739	860,298	Enterprise value / Free cash flow	NM	NM	NM	NM
D&A	6,363	18,765	31,901	37,324	P/E	11.3	10.8	9.3	8.5
Change in working capital	(33,535)	113,601	126,778	187,011					
Other	19,263	143,438	153,501	171,604					
Cash flow from operations	679,571	856,875	1,069,918	1,256,236					
Capex	(22,958)	(34,424)	(43,679)	(48,856)					
Free cash flow	658,033	822,450	1,026,239	1,207,381					
Cash flow from investing activities	(22,958)	(35,574)	(43,679)	(48,856)					
Cash flow from financing activities	(286,679)	111,048	(1,240)	(1,240)					
Dividends	(286,719)	(217,116)	0	0					
Dividend yield	-	-	-	-					

Source: Company reports and J.P. Morgan estimates.

Note: \$ in thousands (except per-share data). Fiscal year ends Dec

Overweight

P,P US

Price: \$26.16

Price Target: \$41.00

United States

Internet

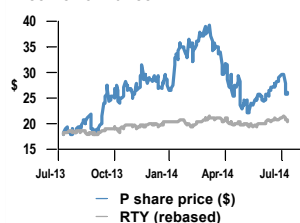
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J.P. Morgan Securities LLC

Price Performance



Pandora Media Inc

Thoughts Into 2Q14 Earnings

Projecting Solid 2Q as Progress Continues with Advertisers & Users; Increased Ad Product Focus in 2H

- Pandora reports 2Q14 earnings on Thursday, July 24th after the close with a 5:00pm EST call accessed via dial-in of (877) 355-0067) and a webcast at www.investor.pandora.com. We believe that April and May listener hours of 1.70B and 1.73B set Pandora up well to modestly beat our 4.98B hour estimate for 2Q despite June being a seasonally lighter month for listening hours. **We expect mobile revenue strength will continue to drive overall results, supported by mobile hours growth (including auto and connected device usage) and higher sell through rate as the growing local salesforce becomes more effective.** We believe advertiser demand continues to grow stronger given benefits from buyside and planner system integration, MRC accreditation for Triton measurement, market share gains, and increased targetability
- Expecting slight upside to 2Q hours.** We note for the month of June last year, listener hours declined -7% M/M. If P exactly hits our 4.98B estimate for 2Q14, that would imply a -10% M/M decline, while a consistent -7% M/M decline would lead to 5.04B hours (1% ahead of our estimate). We highlight that 2Q13-3Q13 listener hours were impacted by Pandora's 40hr mobile listening cap, which is now driving reacceleration in 2Q and 3Q hours growth on the easier comp.
- Mobile Ad RPM remains key driver.** We expect 2Q14 revenue of \$219.9M (+38.8% Y/Y) in-line with consensus of \$218.7M, driven by continued strength in mobile monetization. We project Mobile RPM of \$38.83 (+19% Y/Y) driving \$142.2M in mobile ad revenue (+63% Y/Y) given: 1) continued strong listener metrics—including US radio market share of 9.13% despite an increasingly competitive market; 2) improved ad targeting and audience segmentation; and 3) increasing local and radio advertiser demand. We expect slightly negative growth in Web Ad Revenue to \$38.8M (-4% Y/Y) driven by flat Web Ad RPM growth (\$58.59) offset by continued mix shift in listener hours towards mobile, auto, and connected devices. We model 2Q EBITDA of \$11.8M (+5.5% Y/Y, 5.4% margin), above consensus of \$9.6M. Despite annual increases in content costs, which came into effect in January (~8% sequential increase in content costs per hour), we expect 180bps of content cost leverage over last 2Q. We model \$114.8M (+44% Y/Y) in 2Q content costs, representing 52.5% of revenue.

Overweight

Company Data	
Price (\$)	26.16
Date Of Price	10 Jul 14
52-week Range (\$)	40.44-17.54
Market Cap (\$ mn)	5,911.82
Fiscal Year End	Dec
Shares O/S (mn)	226
Price Target (\$)	41.00
Price Target End Date	31-Dec-14

PANDORA MEDIA INC (P;P US)

FYE Dec	2013A	2014E	2015E	2016E
EPS - Reported (\$)				
Q1 (Mar)	(0.18)	(0.13)A	-	-
Q2 (Jun)	0.05	0.04	-	-
Q3 (Sep)	0.06	0.08	-	-
Q4 (Dec)	0.11	0.15	-	-
FY	0.06	0.17	0.40	0.65
Bloomberg EPS FY (\$)	0.01	0.17	0.49	0.88

Source: Company data, Bloomberg, J.P. Morgan estimates.

Below we highlight some key topics we will be focused on during 2Q14 earnings and 2H14:

- **Update to seasonal salesforce build-out:** the last update we have is that Pandora is in over 37 local markets (as of April) and we expect that number has grown somewhat to round out the 1H14 seasonal hiring. Having a more robust local salesforce helps Pandora sell more of its available inventory as premium-priced local ads, and helps the company up-sell clients into other ad units such as video or app-installs as well as educate prospects and clients on targetability capabilities to new and existing local advertisers.
- **Comments on competitive landscape:** we've seen a lot of activity in the streaming music space in 2Q including Apple buying Beats, Amazon launching a streaming music service as a part of its Prime membership, and Google acquiring Songza. We expect consolidation could continue in the space as recent deals have validated streaming music as a valuable industry to participate in. Importantly, Pandora's radio market share remains solid at 9% despite the competitive environment and given its lean-back low-interaction nature, we believe Pandora is better positioned to benefit from the growth in streaming music in cars than many of the lean-in interactive competitors.
- **Regulatory landscape:** including House Judiciary hearings on music licensing regulations and ongoing two-year long CRB process, which will culminate with a decision in December 2015. We note that Chris Harrison, VP of Business Affairs at Pandora spoke at the second hearing on June 25th, in addition to representatives from the labels, broadcast radio, songwriters, and satellite radio. Issues raised during the two hearings included: performance royalties and broadcast radio's exemption, the copyright protection of pre-1972 recordings, and consent decrees governing performance rights organizations such as ASCAP and BMI.
- **Auto update:** given a recently enhanced focus on auto connectivity in the industry (Apple's CarPlay, Google's Android Auto), we expect some update from Pandora on auto connectivity and integration with key operating systems. We note the company reported 5M+ unique auto activations during its 1Q14 earnings call in April, up from ~1M in 1Q13. We believe Pandora is currently integrated into more than 135 new car models (including the top 10), and ~1/3 of all new cars sold.
- **Increased focus on ad products:** with Pandora's recent hire of David Gerbitz as EVP of Revenue Operations, we expect an increased focus on ad products over the coming quarters, which could include increased targetability through demographic segmentation, APIs, self-serve for smaller advertisers, and a third-party platform

Maintaining Estimates

We are maintaining estimates, as seen in the table below.

Table 14: J.P. Morgan vs. Consensus

J.P. Morgan Estimates	2Q14E	3Q14E	4Q14E	2014E	2015E	2016E
(\$ in millions except per share data)						
Total Revenue	219.9	243.6	268.9	912.5	1,242.1	1,620.2
Y/Y Growth	38.8%	42.2%	33.9%	40.9%	36.1%	30.4%
Total Advertising Revenue	181.1	202.8	226.9	751.4	1,061.5	1,425.2
Y/Y Growth	41.9%	50.3%	40.1%	44.2%	41.3%	34.3%
Total Subscription Revenue	38.8	40.8	42.0	161.1	180.6	195.0
Y/Y Growth	25.8%	12.4%	8.2%	27.6%	12.1%	8.0%
EBITDA	11.8	22.1	39.9	51.4	111.3	209.9
Y/Y Growth	5.5%	65.1%	53.1%	127.5%	116.6%	88.6%
% Margin	5.4%	9.1%	14.8%	5.6%	9.0%	13.0%
PF EPS	\$0.04	\$0.08	\$0.15	\$0.17	\$0.40	\$0.65
Y/Y Growth	-11.9%	59.9%	43.4%	194.4%	134.6%	59.7%
Total Listener Hours (Millions)	4,983	5,101	5,275	20,156	23,350	26,464
Y/Y Growth	27.5%	28.0%	16.1%	20.7%	15.8%	13.3%
Active Users (Millions)	79.0	81.2	82.7	82.7	88.6	95.7
Y/Y Growth	11.1%	11.7%	8.6%	8.6%	7.1%	7.9%
Consensus						
Total Revenue	218.7	233.9	269.5	907.8	1,180.5	1,527.7
EBITDA	9.6	22.6	42.7	56.5	131.8	273.9
PF EPS	\$0.03	\$0.08	\$0.17	\$0.17	\$0.49	\$0.88
Guidance						
Total Revenue	\$213M-\$218M			\$880M-\$900M		
PF EPS	\$0.00-\$0.03			\$0.14-\$0.18		

Source: J.P. Morgan estimates, Bloomberg.

Investment Thesis, Valuation and Risks

Pandora Media Inc (Overweight; Price Target: \$41.00)

Investment Thesis

We remain positive on Pandora as we believe it is well positioned to take share of the U.S. online display, mobile, and radio ad markets (~\$37B opportunity in 2014). We continue to view Pandora as a compelling pure-play on mobile advertising and believe both monetization and profitability will improve as 1) Pandora's 9.1% market share of total US radio should continue to ramp; 2) radio buyside platform integration and back-end improvements should remove friction from the buying process and attract more ad spend; 3) Pandora continues to build out its local sales force (now in 37 of top 50 markets); and 4) cost-controlling policies, including the limit to mobile skips, should help curb content costs, enabling both increased investment and greater profitability.

Valuation

Price target of \$41. Our Dec 2014 price target of \$41 is based on our DCF model through 2020, which assumes an 11% cost of capital, 3.5% terminal growth rate, and

a 14.0x terminal EBITDA multiple. Key drivers of our DCF projection include 2013-2020E CAGRs of 29% for revenue and 72% for EBITDA. Our \$41 price target also equates to 9.7x 2014E EV/revenue and 7.2x 2015E EV/revenue.

Risks to Rating and Price Target

Downside risks to our rating include: 1) if the sales force is unable to keep up with rapidly growing listener hours; 2) if the mobile ad market develops slower than we project, or if monetization does not improve; 3) if Pandora is unable to negotiate a favorable royalty rate structure beyond 2015; and 4) increased competition from players such as Apple, Google, and Spotify.

Pandora Media Inc: Summary of Financials

Income Statement - Annual	FY13A	FY14E	FY15E	FY16E	Income Statement - Quarterly	1Q14A	2Q14E	3Q14E	4Q14E
Revenues	648	912	1,242	1,620	Revenues	180A	220	244	269
Operating income	12	39	101	198	Operating income	(26)A	9	19	37
D&A	11	12	11	12	D&A	3A	3	3	3
EBITDA	23	51	111	210	EBITDA	(22)A	12	22	40
Net interest income / (expense)	(1)	0	0	0	Net interest income / (expense)	0A	0	0	0
Other income / (expense)	(52)	(42)	(62)	(68)	Other income / (expense)	(3)A	(11)	(13)	(14)
Pretax income	(41)	(3)	39	130	Pretax income	(29)A	(2)	6	22
Income taxes	(0)	(0)	(7)	(45)	Income taxes	(0)A	0	0	0
Net Income	(41)	(3)	32	85	Net Income	(29)A	(2)	6	22
Weighted average diluted shares	186	226	231	235	Weighted average diluted shares	200A	226	235	244
Diluted EPS	0.06	0.17	0.40	0.65	Diluted EPS	(0.13)A	0.04	0.08	0.15
Balance Sheet and Cash Flow Data	FY13A	FY14E	FY15E	FY16E	Ratio Analysis	FY13A	FY14E	FY15E	FY16E
Cash and cash equivalents	246	211	306	444	Sales growth	56.3%	40.9%	36.1%	30.4%
Accounts receivable	164	207	236	275	EBITDA growth	2768.9%	127.5%	116.6%	88.6%
Other current assets	10	15	12	16	EPS growth	(258.9%)	178.3%	134.6%	59.7%
Current assets	519	613	735	916	EBITDA margin	3.5%	5.6%	9.0%	13.0%
PP&E	35	55	88	133	Net margin	1.8%	4.3%	7.5%	9.4%
Total assets	673	787	942	1,167	Debt / EBITDA	0.0	0.0	0.0	0.0
Total debt	0	0	0	0	Return on assets (ROA)	2.6%	5.3%	10.8%	14.4%
Total liabilities	165	216	282	361	Return on equity (ROE)	3.7%	7.2%	15.2%	20.8%
Shareholders' equity	508	570	660	806	Enterprise value / EBITDA	271.1	119.8	54.5	28.2
Net Income (including charges)	(41)	(3)	32	85	Enterprise value / Free cash flow	NM	NM	63.4	43.1
D&A	11	12	11	12	P/E	NM	NM	187.6	72.6
Change in working capital	(12)	7	35	30					
Other	-	-	-	-					
Cash flow from operations	1	73	139	194					
Capex	(261)	(153)	(43)	(57)					
Free cash flow	(260)	(80)	96	138					
Cash flow from investing activities	(211)	(119)	(43)	(57)					
Cash flow from financing activities	396	11	0	0					
Dividends									
Dividend yield	-	-	-	-					

Source: Company reports and J.P. Morgan estimates.

Note: \$ in millions (except per-share data). Fiscal year ends Dec

Overweight

YELP, YELP US

Price: \$70.91

Price Target: \$94.00

United States Internet

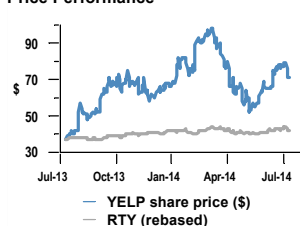
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J.P. Morgan Securities LLC

Price Performance



	YTD	1m	3m	12m
Abs	11.5%	16.1%	14.8%	117.0%
Rel	9.5%	14.3%	10.3%	99.4%

Yelp Inc.

Thoughts Into 2Q14 Earnings

We expect Yelp to report strong 2Q results at or above the high end of guidance driven by strong growth in active accounts. **We're positive on Yelp's investments in product and S&M given the large opportunity, and we expect these investments to drive continued revenue growth going forward. We believe Yelp remains very well positioned to continue taking share of local ad dollars. We reiterate our Overweight rating and \$94 PT.**

- **What we're expecting:** We are modeling revenue of \$86.34M, slightly above consensus of \$86.29M and at the high end of guidance of \$85-86M. Our \$12.17M EBITDA estimate (vs. consensus of \$12.29M) is also at the high end of guidance of \$11.5-12.5M. We expect local advertising revenue of \$73.66M (+64.4% Y/Y) and brand advertising revenue of \$8.8M (+25% Y/Y).
- **Guidance:** We're modeling 3Q14 and 2014 revenue/EBITDA of ~\$94.9M/\$17.08M and \$365.58M/\$59.03M respectively.
- **What to watch for:** 1) Yelp's content and advertising partnership with YP should drive greater adoption of Yelp ads over time, given YP's 575k local advertiser base compared to Yelp's estimated ~84k advertisers in 2Q; 2) International monetization on Yelp; 3) Sales headcount additions; 4) Overall unique visitor growth and mobile app users; and 5) Revenue growth by cohort.

Overweight

Company Data	
Price (\$)	70.91
Date Of Price	10 Jul 14
52-week Range (\$)	101.75-35.58
Market Cap (\$ mn)	4,928.25
Fiscal Year End	Dec
Shares O/S (mn)	70
Price Target (\$)	94.00
Price Target End Date	31-Dec-14

Yelp Inc. (YELP;YELP US)

FYE Dec	2012A	2013A	2014E	2015E
EPS - Reported (\$)				
Q1 (Mar)	(0.08)	0.01	0.09A	-
Q2 (Jun)	(0.00)	0.07	0.10	-
Q3 (Sep)	0.00	0.07	0.15	-
Q4 (Dec)	(0.01)	0.09	0.19	-
FY	(0.06)	0.23	0.52	0.89
Bloomberg EPS FY (\$)	-0.07	0.23	0.52	0.89

Source: Company data, Bloomberg, J.P. Morgan estimates.

Maintaining Estimates

We are maintaining our estimates, as shown in the table below.

Table 15: J.P. Morgan Estimates vs. Consensus

J.P. Morgan Estimates	2Q14E	3Q14E	4Q14E	2014E	2015E
(\$ in thousands except per share data)					
Total Revenue	86,342	94,882	107,947	365,577	525,258
Y/Y Growth	56.9%	55.1%	52.8%	56.9%	43.7%
Local Advertising Revenue	73,658	82,843	93,128	314,829	466,435
Y/Y Growth	64.4%	61.8%	60.3%	63.1%	48.2%
Brand Advertising Revenue	8,806	8,280	10,764	35,300	40,595
Y/Y Growth	25.0%	20.0%	17.0%	26.3%	15.0%
Other Operating Revenue	3,877	3,759	4,055	15,448	18,228
Y/Y Growth	22.0%	22.0%	21.0%	28.8%	18.0%
EBITDA	12,174	17,079	21,265	59,031	112,405
Y/Y Growth	56.7%	112.2%	104.4%	100.6%	90.4%
% Margin	14.1%	18.0%	19.7%	16.1%	21.4%
PF EPS	\$0.10	\$0.15	\$0.19	\$0.52	\$0.89
Y/Y Growth	38.8%	124.5%	113.9%	123.4%	71.1%
Consensus					
Total Revenue	86,290	95,397	107,655	365,833	525,267
EBITDA	12,292	16,423	21,000	58,361	110,039
PF EPS	\$0.09	\$0.13	\$0.18	\$0.52	\$0.89
Guidance					
Total Revenue	\$85-\$86M			\$363-\$367M	
EBITDA	11.5-\$12.5M			\$56-\$60M	

Source: J.P. Morgan estimates, Bloomberg.

Investment Thesis, Valuation and Risks

Yelp Inc. (Overweight; Price Target: \$94.00)

Investment Thesis

We think there's significant room for strong revenue growth and margin expansion for Yelp as it remains relatively underpenetrated in local advertising. We think the pace of innovation in new advertising products is accelerating and the company is making good progress towards closing the loop for advertisers. The core local advertising segment continues to witness very strong growth as Yelp takes share of local advertising dollars, particularly from traditional Yellow Pages. We also think there's lower risk of a significant disruption to Yelp's traffic from Google's product changes.

Valuation

\$94 based on our DCF analysis. Our \$94 PT is based on our DCF analysis, which assumes a 9% WACC and 3.5% long-term growth rate. Given Yelp's high revenue growth and margin expansion trajectory, we prefer to employ a DCF to derive our price target, as we think a multiple-based approach likely doesn't appropriately factor in the company's early-stage growth trajectory. Our DCF sensitivity analysis yields a price target range of \$72-122. Our DCF-based PT of \$94 assumes 2020 revenue of \$1.74B and a 35% EBITDA margin. Our PT implies a ~66x 2015E EV/EBITDA multiple.

Risks to Rating and Price Target

Downside risks include: 1) we think the nascent nature of Yelp's business model is likely to create significant volatility in the company's quarterly results and our estimates; 2) the market for local business information and local advertising is increasingly competitive as small and large Internet companies invest aggressively in the space, which could potentially pressure Yelp; 3) Yelp receives nearly half its traffic from Google search results and traffic growth could potentially slow if Google significantly changed its search results rankings.

Yelp Inc.: Summary of Financials

Income Statement - Annual	FY13A	FY14E	FY15E	FY16E	Income Statement - Quarterly	1Q14A	2Q14E	3Q14E	4Q14E
Revenues	233	366	525	714	Revenues	76A	86	95	108
Operating income	(9)	(2)	55	142	Operating income	(5)A	(3)	1	5
D&A	11	18	18	19	D&A	4A	4	5	5
EBITDA	3	16	73	161	EBITDA	(1)A	1	6	10
Net interest income / (expense)	-	-	-	-	Net interest income / (expense)	-	-	-	-
Other income / (expense)	(0)	(0)	(0)	(0)	Other income / (expense)	(0)A	(0)	(0)	(0)
Pretax income	(9)	(2)	54	142	Pretax income	(5)A	(3)	1	4
Income taxes	(1)	2	(20)	(50)	Income taxes	2A	(0)	(0)	(0)
Net Income	(10)	(0)	35	92	Net Income	(3)A	(3)	1	4
Weighted average diluted shares	72	82	84	85	Weighted average diluted shares	80A	81	83	85
Diluted EPS	0.23	0.52	0.89	1.50	Diluted EPS	0.09A	0.10	0.15	0.19
Balance Sheet and Cash Flow Data	FY13A	FY14E	FY15E	FY16E	Ratio Analysis	FY13A	FY14E	FY15E	FY16E
Cash and cash equivalents	390	408	475	600	Sales growth	69.4%	56.9%	43.7%	35.9%
Accounts receivable	21	18	21	21	EBITDA growth	540.2%	100.6%	90.4%	75.3%
Other current assets	6	12	16	21	EPS growth	(518.0%)	123.4%	71.1%	68.9%
Current assets	417	437	512	643	EBITDA margin	12.6%	16.1%	21.4%	27.6%
PP&E	31	33	31	29	Net margin	7.2%	11.6%	14.1%	17.9%
Total assets	516	541	613	743	Debt / EBITDA	0.0	0.1	0.1	0.0
Total debt	1	6	6	6	Return on assets (ROA)	4.8%	8.1%	12.9%	18.9%
Total liabilities	29	37	40	41	Return on equity (ROE)	5.1%	8.6%	13.8%	20.1%
Shareholders' equity	486	504	573	701	Enterprise value / EBITDA	136.7	67.9	35.1	19.4
Net Income (including charges)	(10)	(0)	35	92	Enterprise value / Free cash flow	514.6	88.2	54.5	30.6
D&A	11	18	18	19	P/E	NM	NM	170.5	65.7
Change in working capital	(10)	2	(5)	(5)					
Other	-	-	-	-					
Cash flow from operations	21	64	88	143					
Capex	(13)	(19)	(16)	(18)					
Free cash flow	8	45	72	125					
Cash flow from investing activities	(19)	(19)	(16)	(18)					
Cash flow from financing activities	261	0	0	0					
Dividends	-	-	-	-					
Dividend yield	-	-	-	-					

Source: Company reports and J.P. Morgan estimates.

Note: \$ in millions (except per-share data). Fiscal year ends Dec

Neutral

GRPN,GRPN US

Price: \$6.50

Price Target: \$10.00

United States

Internet

Doug Anmuth ^{AC}

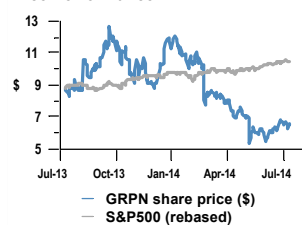
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J.P. Morgan Securities LLC

Price Performance



	YTD	1m	3m	12m
Abs	-45.6%	10.6%	-13.4%	-27.5%
Rel	-53.6%	9.2%	-20.6%	-48.1%

Groupon

Thoughts Into 2Q14 Earnings

Groupon reports 2Q earnings after the close on Tuesday, August 5th with a conference call scheduled for 5pm ET. We expect Groupon to report a relatively in-line quarter as overall retail and Channel Advisor data suggest healthy US eCommerce trends in 2Q to date. Our \$10 PT is based on ~10x 2015E EBITDA of \$400M.

- **Our estimates are in-line with consensus.** We are modeling 2Q revenue of \$752M (vs. guidance of \$725-775M), and we expect continued improvement in NA local deals. We expect EBITDA of \$57M, in-line with consensus of \$58M and at the middle of guidance of \$45-65M.
- **Expecting continued strong mobile growth in 2Q.** Mobile remains an important driver of the business as 54% of worldwide transactions in March were completed on mobile devices. Groupon noted 10M downloads of its mobile app in 1Q alone (~80M cumulative) vs. 9M downloads of its mobile app in 4Q. We believe Groupon is making good progress towards driving a greater % of "pull" transactions on the site with nearly 9% of total NA traffic/transactions originating from searches on Groupon.
- **Looking for progress on 3 key initiatives.** During 1Q earnings, Groupon highlighted 3 key initiatives for 2014 including: 1) Accelerating double-digit growth in NA local billings by yearend with similar progress in EMEA; 2) improving Goods gross margin through shipping and fulfillment efficiencies, which could result in a slowdown in Goods billings growth; and 3) improving profitability in ROW. We look for the company to provide an update on its progress with these initiatives in 2Q.
- **What to watch for.** 1) Whether key international markets are seeing any signs of improvement—international billings were 42.5% Y/Y in 1Q; 2) Mobile % of WW transactions – 54% in March; 3) % of "pull" or non-email driven transactions in NA; 4) Active Customer Growth.

Neutral

Company Data

Price (\$)	6.50
Date Of Price	10 Jul 14
52-week Range (\$)	12.76-5.18
Market Cap (\$ mn)	3,597.26
Fiscal Year End	Dec
Shares O/S (mn)	553
Price Target (\$)	10.00
Price Target End Date	31-Dec-14

Groupon Inc (GRPN;GRPN US)

FYE Dec	2012A	2013A	2014E	2015E
EPS - Reported (\$)				
Q1 (Mar)	0.02	0.04	(0.01)A	-
Q2 (Jun)	0.08	0.02	0.03	-
Q3 (Sep)	0.03	0.02	0.06	-
Q4 (Dec)	(0.08)	0.04	0.09	-
FY	0.06	0.12	0.16	0.39
Bloomberg EPS FY (\$)	0.17	0.09	0.11	0.24

Source: Company data, Bloomberg, J.P. Morgan estimates.

Maintaining Estimates

We are maintaining our estimates, as shown in the table below.

Table 16: J.P. Morgan Estimates vs. Consensus

J.P. Morgan Estimates	2Q14E	3Q14E	4Q14E	2014E	2015E
(\$ in millions except per share data)					
Gross Billings	1,791	1,819	2,075	7,502	8,077
Y/Y Growth	26.7%	35.5%	30.3%	30.3%	7.7%
Revenue	752	751	900	3,161	3,679
Y/Y Growth	23.5%	26.2%	17.1%	22.8%	16.4%
CSOI	37	54	80	206	304
Y/Y Growth	-37.1%	38.3%	66.9%	4.2%	48.0%
% Margin	4.9%	7.2%	8.9%	6.5%	8.3%
EBITDA	57	74	103	303	400
Y/Y Growth	-29.6%	18.2%	43.4%	5.6%	32.0%
% Margin	7.5%	9.8%	11.5%	9.6%	10.9%
PF EPS	\$0.03	\$0.06	\$0.09	\$0.16	\$0.39
Y/Y Growth	NM	NM	NM	29.8%	141.8%
Consensus					
Total Revenue	762	759	920	3,198	3,663
EBITDA	\$58	\$77	\$120	\$295	\$401
PF EPS	\$0.01	\$0.03	\$0.08	\$0.11	\$0.24
Guidance					
Revenue	\$725 - \$775M				
EBITDA	\$45M - \$65M				

Source: J.P. Morgan estimates, Bloomberg.

Investment Thesis, Valuation and Risks

Groupon (Neutral; Price Target: \$10.00)

Investment Thesis

Maintain Neutral rating. We believe Groupon is well positioned to take share of the total leisure, recreation and foodservice markets, which combined represent ~\$5.3T in sales globally and ~\$1.4T in the U.S. However, we believe users are likely feeling some degree of email and deal fatigue, thereby slowing growth in the local deals space. Groupon Goods growth is strong as the company leverages its large subscriber base, but we believe that this is a less differentiated business and that there are better ways to invest in ecommerce. Macroeconomic weakness in Europe could also prove to be a near-term headwind as Groupon's offers are highly consumer discretionary.

Valuation

Our year-end 2014 price target of \$10 is based on ~10x our 2015E EBITDA of \$400M, roughly in line with industry peers such as Google (~10x) and eBay (~9x).

Risks to Rating and Price Target

Deal targeting and personalization improvements could drive upside. Groupon is testing deal targeting in the UK and other European markets where local deals have remained weak and significant improvements in conversions could drive upside to our estimates.

Potential for further deal fatigue increases downside risk. We think consumers will always look for ways to save money, making local deals an important channel for discovering new merchants and products. However, we think the limited history of local deals makes it difficult to predict whether consumer behavior toward the format will remain as robust.

Groupon: Summary of Financials

Income Statement - Annual	FY13A	FY14E	FY15E	FY16E	Income Statement - Quarterly	1Q14A	2Q14E	3Q14E	4Q14E
Revenues	2,574	3,161	3,679	4,251	Revenues	758A	752	751	900
Operating income	76	38	120	165	Operating income	(20)A	2	19	38
D&A	89	97	96	111	D&A	35A	20	20	23
EBITDA	165	135	216	275	EBITDA	15A	21	38	61
Net interest income / (expense)	0	9	21	30	Net interest income / (expense)	0A	3	3	3
Other income / (expense)	(95)	9	21	30	Other income / (expense)	(1)A	3	3	3
Pretax income	(19)	47	142	195	Pretax income	(21)A	5	22	41
Income taxes	(70)	(61)	(50)	(68)	Income taxes	(15)A	(14)	(15)	(16)
Net Income	(95)	(23)	92	127	Net Income	(38)A	(12)	4	22
Weighted average diluted shares	668	694	714	736	Weighted average diluted shares	682A	704	693	695
Diluted EPS	0.12	0.16	0.39	0.46	Diluted EPS	(0.01)A	0.03	0.06	0.09
Balance Sheet and Cash Flow Data	FY13A	FY14E	FY15E	FY16E	Ratio Analysis	FY13A	FY14E	FY15E	FY16E
Cash and cash equivalents	1,240	1,529	2,755	3,343	Sales growth	10.2%	22.8%	16.4%	15.5%
Accounts receivable	84	187	152	165	EBITDA growth	10.5%	5.6%	32.0%	22.1%
Other current assets	238	277	1,079	1,200	EPS growth	115.5%	29.8%	141.8%	19.5%
Current assets	1,562	1,993	3,986	4,708	EBITDA margin	11.1%	9.6%	10.9%	11.5%
PP&E	134	182	192	198	Net margin	3.2%	3.5%	7.5%	8.0%
Total assets	2,042	2,898	4,900	5,628	Debt / EBITDA	-	-	-	-
Total debt	-	-	-	-	Return on assets (ROA)	4.0%	4.5%	7.1%	6.5%
Total liabilities	1,330	1,941	3,513	3,902	Return on equity (ROE)	11.3%	13.2%	23.5%	21.8%
Shareholders' equity	714	959	1,389	1,729	Enterprise value / EBITDA	12.4	10.8	5.1	3.0
Net Income (including charges)	(89)	(14)	92	127	Enterprise value / Free cash flow	25.8	5.8	2.1	2.5
D&A	89	97	96	111	P/E	NM	NM	50.5	37.7
Change in working capital	52	454	706	240					
Other	-	-	-	-					
Cash flow from operations	218	669	1,078	690					
Capex	(80)	(109)	(105)	(117)					
Free cash flow	138	560	973	573					
Cash flow from investing activities	(96)	(225)	(6)	(102)					
Cash flow from financing activities	(82)	0	0	0					
Dividends	(1)	0	0	0					
Dividend yield	-	-	-	-					

Source: Company reports and J.P. Morgan estimates.

Note: \$ in millions (except per-share data). Fiscal year ends Dec

Neutral

AWAY,AWAY US

Price: \$33.14

Price Target: \$38.00

United States

Internet

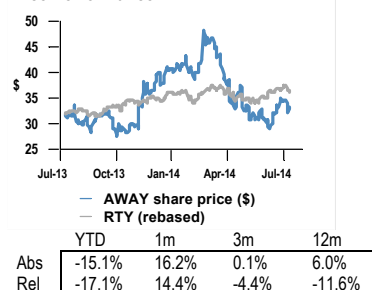
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J.P. Morgan Securities LLC

Price Performance



HomeAway Inc

Thoughts Into 2Q14 Earnings

We are modeling 2Q revenue/EBITDA of \$110.6M/\$28.6M, essentially in line with consensus. **We expect performance based revenue (also known as pay-per-booking) to contribute only modestly to the model at \$7.9M in 2Q vs. an estimated \$8.8M in 1Q14 due to seasonality.** We expect subscription based revenue to represent 76% of total revenue and to benefit from both pricing improvement and a modest reacceleration in subscription listings growth.

- **What we're expecting.** We are now modeling 1,005,000 total listings including 750,000 ending subscription listings (up 6% Y/Y) vs. 724,699 (6% Y/Y) during 1Q14. **While 2Q is seasonally strong in terms of subscription listing adds, we expect incremental listings growth and renewal rate tailwinds driven by improved value perception as home owners evaluate the ~3% effective take-rate relative to the new 10% pay-per-booking take-rate.** We expect subscription ARPL (average revenue per listing) of \$455 to grow 9% Y/Y in 2Q14 vs. \$442 during 1Q14 (+12% Y/Y growth) driven by continued adoption of tiered pricing/geographic bundles.
- **Modeling 255,000 performance listings vs. 227,144 in 1Q14.** We forecast performance revenue of \$7.9M vs. \$8.8M during 1Q14. Our performance revenue estimate is based on the following preliminary assumptions: 1) the average rental period is 0.3 weeks during the quarter at an average weekly rate of \$1,163, 2) gross bookings amount to \$88M during the quarter, 3) HomeAway recognizes a 9% effective take-rate on the \$88M in gross bookings. We choose to model 9% to be conservative and to take into account some larger professional property managers that may receive favorable economics.
- **Expect company to provide an update around the online advertising strategy as a tool to drive consumer demand.** Specifically, we expect HomeAway to announce a meaningful increase in search engine marketing spend during 2H14 following a round of tests during 1H14 that may have demonstrated attractive returns on search engine marketing investment (see next page for more details).

Neutral

Company Data	
Price (\$)	33.14
Date Of Price	10 Jul 14
52-week Range (\$)	48.90-27.27
Market Cap (\$ mn)	3,072.05
Fiscal Year End	Dec
Shares O/S (mn)	93
Price Target (\$)	38.00
Price Target End Date	31-Dec-14

HOMEAWAY INC (AWAY;AWAY US)

FYE Dec	2012A	2013A	2014E	2015E
EPS - Reported (\$)				
Q1 (Mar)	0.03	0.06	0.05A	-
Q2 (Jun)	0.03	0.06	0.01	-
Q3 (Sep)	0.06	0.10	0.02	-
Q4 (Dec)	0.05	(0.02)	(0.01)	-
FY	0.18	0.20	0.07	0.23
Bloomberg EPS FY (\$)	0.48	0.62	0.60	0.77

Source: Company data, Bloomberg, J.P. Morgan estimates.

- **Expect modest revenue upside in 2Q offset by Y/Y EBITDA margin compression**, similar to what was implied by guidance. We are anticipating 2Q revenue to come in modestly above our and consensus models driven by continued strength in subscription ARPL, a modest reacceleration in subscription listings growth and incremental contribution from performance based listings. We are modeling 2Q revenue of \$110.6M (+27.7% Y/Y) vs. consensus at \$110.2M and guidance of \$109.0M-\$111.0M. We're projecting 29.6% Y/Y growth in ending paid listings and a 3.0% decrease in blended ARPL to \$375 due to the inclusion of performance based listings. Our 2Q EBITDA of \$28.6M is in line with consensus, and is toward the midpoint of guidance at \$28.0M-\$29.0M. However, our 2014 EBITDA estimate of \$111.8M is meaningfully below consensus of \$118.9M due to anticipate marketing spend.
- **Pay-per-booking update.** We expect only modest revenue contribution from the pay-per-booking model during the near-term, however **we are modeling the total performance listings count to grow to 255,000 properties, a number that would be viewed favorably by investors in our opinion.** It remains early days in HomeAway's roll-out of the pay-per-booking model and we expect the company to take a conservative stance around providing investors with thoughts around average weekly rate (expect company to conservatively communicate a number near \$1,000) and average number of weeks booked per property (expect company to conservatively communicate a number near 1 week per year).
- **Tiered pricing on VRBO and bundled offerings.** We expect HomeAway's average revenue per listing (ARPL) number to continue to benefit from tiered pricing adoption, bundled listings, and online bookings in 2Q. We also expect HomeAway to discuss a subscription listings growth tailwind associated with improved value perception among the For Rent By Owner contingent. The effective take-rate on subscription listings is near 3% and we expect investors to continue to ask about the opportunity around mandatory tiered pricing increases. Although we do not expect any announcements, we expect the company to acknowledge pricing increases as a potential lever to drive growth in the future (perhaps 2015).
- **Search Engine marketing strategy update.** We expect HomeAway to provide an update around the online advertising strategy as a tool to drive consumer demand. Specifically, we expect the company to announce a meaningful increase in search engine marketing spend during 2H14 following a round of tests during 1H14 that may have demonstrated attractive returns on search engine marketing investment. However, we believe the incremental revenue associated with increased advertising spend could take a few quarters to hit the model. As a result, we expect the company to reduce 2014 EBITDA guidance, while modestly increasing revenue. We lack visibility into the degree with which the company will choose to increase spending, but would expect an incremental \$3-5M in online advertising spending per quarter through the end of 2014.

Adjusting Estimates

We have updated the structure of our model to breakout subscription and performance listings and the associated revenue generated by each segment. As a result of this change, our new listings and ARPL estimates are no longer directly comparable to our previous estimates, however should align well with how the company will report going forward. We are meanwhile maintaining our 2Q14, 2014 and 2015 revenue and EBITDA estimates. Please see table below with new estimates.

Table 17: J.P. Morgan Adjusting Estimates

HomeAway (\$ in millions)	2Q14E		3Q14E		4Q14E		2014 JPME		2015 JPME	
	Old	New	Old	New	Old	New	Old	New	Old	New
Net Revenue	110.6	110.6	115.0	115.0	110.5	110.5	441.9	441.9	537.3	537.3
Y/Y Growth	27.7%	27.7%	27.6%	27.6%	22.4%	22.4%	27.5%	27.5%	21.6%	21.6%
% chg vs. old	0.5%	0.0%	0.9%	0.0%	0.5%	0.0%	0.5%	0.0%	0.0%	0.0%
EBITDA	28.6	28.6	31.1	31.1	26.0	26.0	111.8	111.8	144.4	144.4
Y/Y Growth	15.3%	15.3%	6.9%	6.9%	23.6%	23.6%	15.6%	15.6%	29.1%	29.1%
Margin (%)	25.9%	25.9%	27.0%	27.0%	23.5%	23.5%	25.3%	25.3%	26.9%	26.9%
% chg vs. old	0.4%	0.0%	-9.2%	0.0%	-14.1%	0.0%	-6.1%	0.0%	-12.2%	0.0%
GAAP EPS	\$0.01	\$0.01	\$0.02	\$0.02	(\$0.01)	(\$0.01)	\$0.07	\$0.07	\$0.23	\$0.23
Y/Y Growth	-81.0%	-84.0%	-74.8%	-76.4%	-65.3%	-57.6%	-63.7%	-66.0%	217.0%	230.5%
% chg vs. old	6.5%	-15.5%	-46.5%	-6.2%	-127.5%	22.1%	-39.9%	-6.4%	-38.2%	-2.4%
Non-GAAP EPS	\$0.14	\$0.14	\$0.15	\$0.15	\$0.12	\$0.12	\$0.54	\$0.54	\$0.71	\$0.71
Y/Y Growth	-14.0%	-13.9%	-21.4%	-21.2%	55.4%	56.1%	-4.8%	-4.6%	31.6%	31.4%
% chg vs. old		0.1%		0.3%		0.5%				

Source: Company reports and J.P. Morgan estimates.

Table 18: J.P. Morgan Estimates vs. Consensus

J.P. Morgan Estimates	2Q14E	3Q14E	4Q14E	2014E	2015E
(\$ in millions except per share data)					
Total Net Revenue	110.6	115.0	110.5	441.9	537.3
Y/Y Growth	27.7%	27.6%	22.4%	27.5%	21.6%
Listing revenue	91.7	96.0	95.0	370.0	447.5
Y/Y Growth	25.1%	27.2%	21.3%	25.9%	20.9%
Other Revenue	18.9	19.0	15.5	71.8	89.8
Y/Y Growth	42.0%	30.0%	30.0%	36.7%	25.0%
Ending Paid Listings	1,005,000	1,005,000	1,030,000	1,030,000	1,147,000
Y/Y Growth	29.6%	30.0%	15.7%	15.7%	11.4%
Avg. Revenue/Sub (annualized)	455	451	467	460	488
Y/Y Growth	9.3%	5.4%	7.5%	7.4%	6.1%
Adj. EBITDA	28.6	31.1	26.0	111.8	144.4
Y/Y Growth	15.3%	6.9%	23.6%	15.6%	29.1%
% Margin	25.9%	27.0%	23.5%	25.3%	26.9%
GAAP EPS	\$0.01	\$0.02	-\$0.01	\$0.07	\$0.23
Y/Y Growth	-84.0%	-76.4%	-57.6%	-66.0%	230.5%
Consensus					
Total Revenue	110.2	113.6	111.3	441.0	528.4
Adjusted EBITDA	28.7	33.1	30.7	118.9	146.4
GAAP EPS	\$0.03	\$0.05	\$0.03	\$0.15	\$0.24
Guidance					
Total Net Revenue	\$109.0M - \$111.0M			\$435.0M - \$442.5M	
Adjusted EBITDA	\$28.0M - \$29.0M			\$117.0M - \$122.5M	

Source: J.P. Morgan estimates, Bloomberg.

Investment Thesis, Valuation and Risks

HomeAway Inc (*Neutral; Price Target: \$38.00*)

Investment Thesis

We believe HomeAway provides a compelling value proposition for both travelers and owners, and benefits from strong network effects. With its highly transparent subscription-based model and multiple levers for additional growth, we are projecting 2013-16 CAGRs of 23% for revenue, 22% for EBITDA and 27% for FCF. We are encouraged by the platform migration of VRBO, adoption of bundled listings, and the continued rollout of tiered pricing, which we believe will collectively have positive effects on listings growth and ARPL going forward. We believe a premium valuation is warranted based on HomeAway's leadership position, strong growth, and business transparency.

Valuation

Maintaining \$38 Price Target. We are maintaining our year-end 2014 price target of \$38 based on our DCF analysis through 2020, which assumes an 11.0% cost of capital, 3% terminal growth rate, and 12.5x terminal EBITDA multiple. While we believe the underlying fundamentals of the business remain strong, we believe a lower profit outlook for 2014 could put pressure on the premium multiple. Key drivers of our DCF assumptions include 2013-2020 CAGRs of 18% for revenue and 18% for EBITDA. Our \$38 price target equates to 22x our 2015E EBITDA estimate of \$144M.

Risks to Rating and Price Target

Downside risks include: macro weakness and a softer traveling environment; FX volatility as roughly 40% of revenue is international; an increase in competition from OTAs and new entrants; failure to identify, complete, or integrate strategic acquisitions; and liability claims based on events that occur during travelers' stays.

Upside risks include: Faster than expected returns on incremental spending to support PPB product; upside pricing potential still to come from tiered and bundled listings; potential for stronger partnerships/relationships with major OTAs beyond existing levels.

HomeAway Inc: Summary of Financials

Income Statement - Annual	FY13A	FY14E	FY15E	FY16E	Income Statement - Quarterly	1Q14A	2Q14E	3Q14E	4Q14E
Revenues	346	442	537	-	Revenues	106A	111	115	111
Operating income	34	27	58	-	Operating income	9A	6	8	3
D&A	29	29	29	-	D&A	8A	7	7	7
EBITDA	59	56	88	-	EBITDA	16A	13	16	11
Net interest income / (expense)	1	(14)	(22)	-	Net interest income / (expense)	0A	(4)	(5)	(5)
Other income / (expense)	(5)	(16)	(23)	-	Other income / (expense)	(2)A	(4)	(5)	(5)
Pretax income	29	11	35	-	Pretax income	7A	2	4	(1)
Income taxes	(11)	(4)	(13)	-	Income taxes	(2)A	(1)	(1)	0
Net Income	18	7	22	-	Net Income	4A	1	2	(1)
Weighted average diluted shares	88	97	99	-	Weighted average diluted shares	96A	97	97	98
Diluted EPS	0.20	0.07	0.23	-	Diluted EPS	0.05A	0.01	0.02	(0.01)
Balance Sheet and Cash Flow Data	FY13A	FY14E	FY15E	FY16E	Ratio Analysis	FY13A	FY14E	FY15E	FY16E
Cash and cash equivalents	325	701	856	-	Sales growth	23.6%	27.5%	21.6%	-
Accounts receivable	20	24	27	-	EBITDA growth	20.4%	15.6%	29.1%	-
Other current assets	21	24	27	-	EPS growth	13.9%	(66.0%)	230.5%	-
Current assets	433	863	1,023	-	EBITDA margin	27.9%	25.3%	26.9%	-
PP&E	40	64	82	-	Net margin	14.4%	11.9%	13.1%	-
Total assets	1,081	1,557	1,736	-	Debt / EBITDA	-	2.7	2.1	-
Total debt	-	305	307	-	Return on assets (ROA)	5.5%	4.0%	4.3%	-
Total liabilities	257	604	688	-	Return on equity (ROE)	7.4%	5.9%	7.0%	-
Shareholders' equity	823	954	1,048	-	Enterprise value / EBITDA	27.4	23.1	16.8	-
Net Income (including charges)	17	7	22	-	Enterprise value / Free cash flow	31.7	27.9	14.0	-
D&A	29	29	29	-	P/E	165.1	485.8	147.0	-
Change in working capital	24	32	77	-					
Other	-	-	-	-					
Cash flow from operations	104	119	187	-					
Capex	(20)	(39)	(32)	-					
Free cash flow	84	93	173	-					
Cash flow from investing activities	(223)	(104)	(32)	-					
Cash flow from financing activities	252	360	0	-					
Dividends	-	-	-	-					
Dividend yield	-	-	-	-					

Source: Company reports and J.P. Morgan estimates.

Note: \$ in millions (except per-share data). Fiscal year ends Dec

Neutral

ZNGA,ZNGA US

Price: \$3.12

United States

Internet

Doug Anmuth ^{AC}

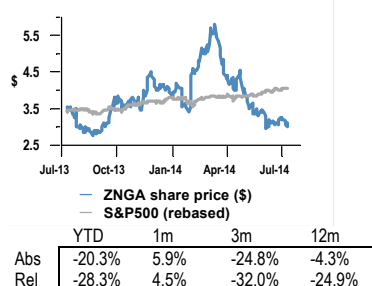
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J.P. Morgan Securities LLC

Price Performance



Zynga Inc

Thoughts Into 2Q14 Earnings

- **While we expect Zynga to meet or beat relatively conservative 2Q guidance and consensus estimates, we also believe that Zynga continues to face a number of structural and competitive challenges** including 1) top grossing app rankings for key brands that remain outside of the top 15, 2) the delay of the new *Words with Friends* and the new *Zynga Poker*, 3) the loss of key management to competitors and 4) an oversized headcount with relatively low morale. Don Mattrick has now held the CEO position for over a year, and we expect the call to focus on the steps that Mr. Mattrick is taking to more aggressively right-size the model during his second year including the potential for a new round of headcount reductions as well as a more focused approach to the game portfolio.
- **What we're expecting.** We now estimate 2Q14 bookings of \$188.0M vs. guidance of \$175-195M. Our new 2Q EBITDA estimate of \$19.8M is at the high end of the \$10-20M guidance range, which we believe will be driven by cost reductions within general and administrative, research and development and tempered sales and marketing spend. We are now modeling 3Q14 bookings of \$195M, up 4% Q/Q. We are projecting 2014 bookings of \$765M (+7% Y/Y) and EBITDA of \$94.9M as the company rationalizes its new and existing game portfolio. It's been a little over one year since Don Mattrick arrived at Zynga from Microsoft and we believe the turnaround efforts remain in early stages. Specifically, we think the integration of NaturalMotion is still early days and unproven with the potential for new *CSR Racing* and *Clumsy Ninja* sequels during 2H14 that may or may not prove successful. Separately, we believe the morale of the approximately 2,000 employees remains low with many engineers distracted by the risk of continued layoffs and a number of leadership changes over recent months.
- **Preparing for any updates to 2014 guidance.** Based on the relative weakness of key titles, the delay of the new *Words with Friends* and new *Zynga Poker*, we think that Zynga may choose to maintain FY14 booking and EBITDA guidance despite potential upside during 2Q, as opposed to increasing 2014 guidance at or above the magnitude of the 2Q beat, which would be preferable. We expect *FarmVille 2: Country Escape*'s booking to be incremental which will likely offset weakness in other brands during 2Q. However, the current 2014 guidance implies a strong back half that may prove difficult to achieve in the absence of a new bona fide hit.

Neutral

Company Data

Price (\$)	3.12
Date Of Price	10 Jul 14
52-week Range (\$)	5.89-2.72
Market Cap (\$ mn)	2,652.46
Fiscal Year End	Dec
Shares O/S (mn)	850

Zynga Inc (ZNGA;ZNGA US)

FYE Dec	2012A	2013A	2014E (Prev)	2014E (Curr)	2015E (Prev)	2015E (Curr)
EPS - Reported (\$)						
Q1 (Mar)	0.06	0.01	(0.01)A	(0.01)A	-	-
Q2 (Jun)	0.01	(0.01)	0.00	0.01	-	-
Q3 (Sep)	(0.00)	(0.02)	0.01	0.00	-	-
Q4 (Dec)	0.01	(0.03)	0.01	0.01	-	-
FY	0.13	(0.08)	0.01	0.01	0.05	0.06
Bloomberg EPS FY (\$)	0.03	-0.06	-	0.02	-	0.06

Source: Company data, Bloomberg, J.P. Morgan estimates.

- **Potential restructuring announcement.** We believe Zynga's current cost structure is still not appropriately right-sized given the realistic bookings run-rate during the next two years below \$1 billion. Zynga has approximately 2,000 employees with trailing twelve month bookings of \$648M (\$324K of bookings per head). This compares to King with 773 employees and trailing twelve month bookings of \$2.4B (\$3.1M of bookings per head). We understand that CEO Don Mattrick believes that this 2,000 headcount would be appropriate for an "at scale" mobile gaming leader, however we think that achieving scale is harder than it may seem initially and that there may be pressure from the board to downsize more aggressively in order to drive EBITDA margin expansion.

Adjusting Estimates

- **We are increasing our 2Q14 bookings and EBITDA estimates to \$188.0M and \$19.8M** vs. our prior estimates of \$184.0M and \$13.5M. While we think *FarmVille 2: Country Escape*'s initial trajectory has been somewhat disappointing relative to very high expectations, the title has certainly generated several million \$ in incremental bookings with only modest marketing spend based on our estimates and observations. We also note that *Zynga Poker* was relatively steady in 2Q with a consistent top 30 grossing app position on iOS. *Hit it Rich!* maintained a top 75 grossing iOS app position and likely contributed modest incremental bookings.
- Despite the anticipated upside during 2Q, **we are taking this opportunity to modestly reduce our full year 2014 bookings estimate to \$765.0M vs. our prior \$789.9M estimate and modestly reducing our full year 2014 EBITDA estimate to \$94.9M vs. our prior \$95.9M estimate.**
- **We have also updated the revenue drivers section of our model to breakout mobile bookings by brand including *FarmVille 2: Country Escape*.** For 2Q14 we are estimating that mobile DAUs grow 16% Y/Y to 18.6M driven by *FarmVille 2: Country Escape*. We expect mobile bookings of \$80.3M to represent 43% of total bookings and expect mobile bookings to surpass 50% during 3Q14.

Table 19: J.P. Morgan Adjusting Estimates

Zynga (\$ in millions)	2Q14 JPME		3Q14 JPME		4Q14 JPME		2014 JPME		2015 JPME	
	Old	New	Old	New	Old	New	Old	New	Old	New
Bookings	184.0	188.0	204.9	195.0	239.6	220.6	789.9	765.0	885.2	850.0
Y/Y Growth	-1.9%	0.2%	34.7%	28.2%	63.4%	50.4%	10.3%	6.8%	12.1%	11.1%
Q/Q Growth	14.0%	16.5%	11.4%	3.7%	16.9%	13.1%	N/A	N/A	N/A	N/A
% chg vs. old	4.2%	2.2%	-1.6%	-4.8%	0.0%	-7.9%	2.9%	-3.2%	5.5%	-4.0%
EBITDA	13.5	19.8	27.1	24.0	41.5	37.3	95.9	94.9	131.5	143.5
Y/Y Growth	62.2%	137.8%	292.6%	247.8%	1493.3%	1332.6%	106.0%	103.9%	37.1%	51.2%
Margin (%)	7.3%	10.5%	13.2%	12.3%	17.3%	16.9%	12.1%	12.4%	14.9%	16.9%
% chg vs. old	37.9%	46.6%	12.3%	-11.4%	-2.9%	-10.1%	11.7%	-1.0%	0.6%	9.1%
PF EPS	0.00	\$0.00	0.01	\$0.00	0.01	\$0.01	0.01	\$0.01	0.05	\$0.06
Y/Y Growth	-121.2%	-163.5%	-125.1%	-108.8%	-156.6%	-143.9%	-118.5%	-114.3%	256.4%	449.8%
% chg vs. old		NM		-65.0%		-22.5%		-23.0%		18.7%

Source: Company reports and J.P. Morgan estimates.

J.P. Morgan Estimates

Table 20: J.P. Morgan Estimates vs. Consensus

<u>J.P. Morgan Estimates</u>	<u>2Q14E</u>	<u>3Q14E</u>	<u>4Q14E</u>	<u>2014E</u>	<u>2015E</u>
(\$ in millions except per share data)					
Bookings	188	195	221	765	850
Y/Y Growth	0.2%	28.2%	50.4%	6.8%	11.1%
Revenue	158	195	221	741	850
Y/Y Growth	-31.7%	-3.7%	25.1%	-15.1%	14.7%
Adjusted EBITDA	20	24	37	95	143
Y/Y Growth	137.8%	247.8%	1332.6%	103.9%	51.2%
EBITDA Margin	10.5%	12.3%	16.9%	12.4%	16.9%
PF EPS	\$0.00	\$0.00	\$0.01	\$0.01	\$0.06
Y/Y Growth	-163.5%	-108.8%	-143.9%	-114.3%	449.8%
<u>Consensus</u>					
Bookings	159	197	223	749	926
EBITDA	18	26	36	96	153
PF EPS	\$0.00	\$0.01	\$0.02	\$0.02	\$0.06
<u>Guidance</u>					
Revenue	\$140M - \$160M			NA	
Bookings	\$175M - \$195M			\$770M - \$810M	
EBITDA	\$10M - \$20M			\$70M - \$100M	
PF EPS	0.00 - 0.01			\$0.01 - \$0.03	

Source: J.P. Morgan estimates, Bloomberg.

Investment Thesis, Valuation and Risks

Zynga Inc (Neutral;—)

Investment Thesis

Neutral rating. Zynga faces a number of headwinds over the next few quarters—some are structural, some more execution-based. We think new titles are witnessing good early growth, but unlikely to offset declines in older games. In addition, mobile monetization appears to be well below web monetization levels, making it difficult for Zynga to offset lost game usage from Facebook. We view continued share repurchases and the bwin.party partnership as positive catalysts.

Valuation

Zynga trades at ~2x our 2015 bookings estimate of \$850M and 11x our 2015 EBITDA estimate of \$143M. We think further multiple expansion is unlikely given the continued transition to mobile.

Risks to Rating

Upside risks include: 1) greater upside in bookings from the new third-party partnerships Zynga is signing; 2) mobile monetization improving faster than expected; and 3) share buyback or other strategic opportunities.

Downside risks include: 1) additional changes to the Facebook platform for game developers including Zynga; 2) significant attrition in players, due to competition or changing consumer behavior, having a material impact on Zynga's bookings, especially as Zynga's bookings are heavily concentrated among a small group of

players; 3) competition in the social gaming space including EA and Disney, as well as private companies such as Crowdstar and Vostu; and 4) Zynga's model being fundamentally hit-driven so it is critical that the company is able to launch new franchise titles going forward.

Zynga Inc: Summary of Financials

Income Statement - Annual	FY13A	FY14E	FY15E	FY16E	Income Statement - Quarterly	1Q14A	2Q14E	3Q14E	4Q14E
Revenues	873	741	850	-	Revenues	168A	158	195	221
Operating income	(66)	(177)	(54)	-	Operating income	(70)A	(63)	(30)	(14)
D&A	129	100	86	-	D&A	25A	21	27	26
Adjusted EBITDA	47	95	143	-	Adjusted EBITDA	14A	20	24	37
Net interest income / (expense)	4	4	4	-	Net interest income / (expense)	1A	1	1	1
Other income / (expense)	1	8	8	-	Other income / (expense)	2A	2	2	2
Pretax income	(65)	(169)	(46)	-	Pretax income	(68)A	(61)	(28)	(12)
Income taxes	28	9	1	-	Income taxes	7A	1	0	0
Net Income	(37)	(160)	(45)	-	Net Income	(61)A	(60)	(27)	(12)
Weighted average diluted shares	811	930	952	-	Weighted average diluted shares	850A	878	896	966
Diluted EPS	(0.08)	0.01	0.06	-	Diluted EPS	(0.01)A	0.01	0.00	0.01
Balance Sheet and Cash Flow Data	FY13A	FY14E	FY15E	FY16E	Ratio Analysis	FY13A	FY14E	FY15E	FY16E
Cash and cash equivalents	466	128	212	-	Sales growth	(31.8%)	(15.1%)	14.7%	-
Accounts receivable	66	102	76	-	EBITDA growth	(78.2%)	103.9%	51.2%	-
Other current assets	50	61	48	-	EPS growth	(158.7%)	(114.3%)	449.8%	-
Current assets	1,241	952	996	-	EBITDA margin	5.3%	12.8%	16.9%	-
PP&E	349	282	273	-	Net margin	(7.1%)	1.4%	6.7%	-
Total assets	2,279	2,430	2,465	-	Debt / EBITDA	0.0	0.0	0.0	-
Total debt	0	0	0	-	Return on assets (ROA)	(2.6%)	0.4%	2.3%	-
Total liabilities	402	458	426	-	Return on equity (ROE)	(3.3%)	0.5%	2.8%	-
Shareholders' equity	1,877	1,972	2,039	-	Enterprise value / EBITDA	45.0	25.6	16.4	-
Net Income (including charges)	(37)	(160)	(45)	-	Enterprise value / Free cash flow	100.4	NM	28.0	-
D&A	129	100	86	-	P/E	NM	NM	NM	-
Change in working capital	(165)	(35)	39	-					
Other	-	-	-	-					
Cash flow from operations	29	12	160	-					
Capex	(8)	(31)	(77)	-					
Free cash flow	21	(19)	84	-					
Cash flow from investing activities	147	(358)	(77)	-					
Cash flow from financing activities	(96)	9	0	-					
Dividends	-	-	-	-					
Dividend yield	-	-	-	-					

Source: Company reports and J.P. Morgan estimates.

Note: \$ in millions (except per-share data).Fiscal year ends Dec

Overweight

CRTO,CRTO US

Price: \$31.52

Price Target: \$44.00

France

Internet

Doug Anmuth ^{AC}

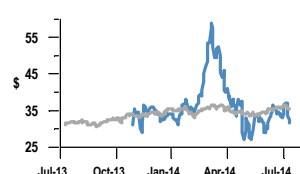
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J.P. Morgan Securities LLC

Price Performance



	YTD	1m	3m	12m
Abs	8.7%	17.1%	2.8%	19.9%
Rel	6.7%	15.3%	-1.7%	2.3%

Criteo

Thoughts Into 2Q14 Earnings

- **We expect Criteo to report solid 2Q results with likely upside to our estimates which are at the high end of guidance owing to advertiser growth, geographic expansion, mobile, and continued algorithm improvements.** We project 42% TTM advertiser growth and continued strength across regions. **We also look for greater traction in mobile—now more than 15% of overall revenue ex-TAC—especially in Japan.** We continue to believe Criteo is well-positioned to benefit from the shift in display ads toward Real-Time Bidding (RTB) and programmatic buying—our \$44 PT is based on an EV/revenue ex-TAC multiple of 7x 2014E net revenue estimate of €270M. While it may seem easy to lump ad-tech names together, we believe Criteo distinguishes itself through its CPC-based performance model, access to shopping data, direct relationships with marketers and publishers, and access to uncapped budgets. Criteo is also solidly profitable with a projected €51M in EBITDA this year, and current EV/EBITDA multiple of 15x 2015E EBITDA.
- **What to expect.** We are forecasting 2Q14 net revenue of €62.93M (+57.2% Y/Y), relatively in-line with consensus of €63.3M and toward the higher end of guidance of €61.5-63.5M. Our net revenue estimate is based on gross revenue of €159.6M (+61% Y/Y) and a 60.6% TAC rate—we note that Criteo optimizes for net revenue and has control over its TAC rate. We expect ~6,068 TTM clients (+42% Y/Y, +9% Q/Q). We project Americas net revenue of nearly €16.7M (+50% Y/Y) and EMEA net revenue of €30.89M (+42% Y/Y), and we are modeling APAC net revenue of €15.32M (+116% Y/Y). Our €8.4M EBITDA estimate is in-line with consensus of €8.5M and at the high end of guidance €6.5-8.5M.
- **3Q and 2014 Outlook.** We are modeling 3Q14 revenue and EBITDA of €67.9M and €9.4M respectively, and \$270M and \$51M for the full year 2014.
- **What to watch for.** 1) Americas net revenue growth; 2) Adoption of Criteo's mobile products by advertisers and mobile % of revenue (15% in March); 3) FBX, as it now represents 12-13% of Criteo's ex-TAC revenue and there can be potential addition of FBX in the mobile News Feed. 4) Progress in on-boarding additional clients on the Facebook Exchange (FBX); 5) Update on algorithm changes that could drive higher clicks and CPCs; 6) recent additions to Americas leadership; 7) Update on opportunities for growth with MoPub/Twitter and Facebook Audience Network; and 8) early feedback on Tedemis.

Overweight

Company Data	
Price (\$)	31.52
Date Of Price	10 Jul 14
52-week Range (\$)	60.95-25.16
Market Cap (\$ mn)	1,641.61
Fiscal Year End	Dec
Shares O/S (th)	52,081
Price Target (\$)	44.00
Price Target End Date	31-Dec-14

Criteo (CRTO;CRTO US)

FYE Dec	2011A	2012A	2013A	2014E	2015E
EPS - Reported (€)					
Q1 (Mar)	-	0.10	0.05	0.12A	-
Q2 (Jun)	-	0.01	(0.09)	0.03	-
Q3 (Sep)	0.03	0.05	0.11	0.03	-
Q4 (Dec)	0.05	(0.07)	0.13	0.12	-
FY	0.16	0.09	0.21	0.27	0.60

Source: Company data, Bloomberg, J.P. Morgan estimates.

Maintaining Estimates

We are maintaining estimates, as shown in the table below.

Table 21: J.P. Morgan Estimates vs. Consensus

J.P. Morgan Estimates	2Q14E	3Q14E	4Q14E	2014E	2015E
<i>(Euro in millions except per share data)</i>					
Revenue ex-TAC	62.9	67.9	76.2	269.8	364.2
Y/Y Growth	57%	45%	39%	51%	35%
EBITDA	8.4	9.4	18.6	50.9	94.8
Y/Y Growth	1129%	-18%	28%	63%	86%
% Margin	13%	14%	24%	19%	26%
GAAP EPS	€ 0.00	€ 0.00	€ 0.09	€ 0.13	€ 0.45
Y/Y Growth	NA	-92%	45%	NA	249%
PF EPS	€ 0.03	€ 0.03	€ 0.12	€ 0.27	€ 0.60
Y/Y Growth	-135%	-70%	-8%	28%	122%
Consensus					
Total Revenue	63.3	68.3	76.3	276.5	364.0
EBITDA	8.5	8.9	19.5	50.0	90.5
GAAP EPS	€ 0.00	€ 0.00	€ 0.09	€ 0.15	€ 0.51
PF EPS	€ 0.05	€ 0.05	€ 0.14	€ 0.33	€ 0.65
Guidance					
Total Revenue	\$61.5-63.5M			\$265 - 271M	
EBITDA	\$6.5 - 8.5M			\$47 - 51M	

Source: J.P. Morgan estimates, Bloomberg.

Investment Thesis, Valuation and Risks

Criteo (Overweight; Price Target: \$44.00)

Investment Thesis

We believe Criteo is well positioned to benefit from the shift in display ads toward Real-Time Bidding (RTB) and programmatic buying in general as we believe the company has strong technology and scale advantages. Criteo solves a fundamental challenge for eCommerce, travel, and other transactional companies by finding, engaging, and converting customers cost-effectively and making display perform like search. We believe Criteo delivers strong ROI at large scale, a combination that we think is differentiated within the ad-tech space.

Valuation

Our Dec 2014 price target of \$44 for Criteo is primarily based on an EV/revenue ex-TAC multiple of 7x our 2014 net revenue estimate of €270M. Our multiple is within the range of ad tech comps such as RocketFuel, YuMe, and Tremor Video.

Risks to Rating and Price Target

Key risks include 1) the company being relatively early in its transition to mobile; 2) competition from large Internet companies such as Google and Amazon; 3)

competition from ad-tech players; and 4) regulatory and technology changes potentially posing challenges to the model.

Criteo: Summary of Financials

Income Statement - Annual	FY13A	FY14E	FY15E	FY16E	Income Statement - Quarterly	1Q14A	2Q14E	3Q14E	4Q14E
Revenues	179,008	269,789	364,170	456,738	Revenues	62,733A	62,931	67,920	76,205
Operating income	10,674	17,814	43,980	80,673	Operating income	6,222A	844	1,198	9,550
D&A	12,195	23,475	39,330	49,328	D&A	4,836A	5,683	6,211	6,745
EBITDA	21,793	40,960	83,310	130,001	EBITDA	10,729A	6,527	7,409	16,295
Net interest income / (expense)	-	-	-	-	Net interest income / (expense)	-	-	-	-
Other income / (expense)	(2,500)	(3,000)	(3,600)	(4,320)	Other income / (expense)	805A	(750)	(750)	(750)
Pretax income	8,174	14,814	40,380	76,353	Pretax income	7,027A	94	448	8,800
Income taxes	(2,413)	(6,288)	(8,480)	(20,997)	Income taxes	(3,205)A	(31)	(148)	(2,904)
Net Income	5,761	8,526	31,900	55,356	Net Income	3,822A	63	300	5,896
Weighted average diluted shares	52,144	66,307	71,025	73,156	Weighted average diluted shares	63,658A	65,424	67,190	68,956
Diluted EPS	0.21	0.27	0.60	0.94	Diluted EPS	0.12A	0.03	0.03	0.12
Balance Sheet and Cash Flow Data	FY13A	FY14E	FY15E	FY16E	Ratio Analysis	FY13A	FY14E	FY15E	FY16E
Cash and cash equivalents	234,343	242,576	289,768	344,395	Sales growth	56.8%	50.7%	35.0%	25.4%
Accounts receivable	87,643	124,103	167,518	210,100	EBITDA growth	80.2%	62.7%	86.1%	52.2%
Other current assets	21,480	42,627	57,539	72,165	EPS growth	135.0%	27.9%	122.2%	56.6%
Current assets	343,466	409,305	514,825	626,659	EBITDA margin	17.5%	18.9%	26.0%	31.6%
PP&E	24,716	39,984	58,921	80,387	Net margin	6.2%	6.7%	11.8%	15.1%
Total assets	391,110	491,709	616,165	749,466	Debt / EBITDA	0.4	0.3	0.2	0.1
Total debt	11,316	14,355	17,658	20,898	Return on assets (ROA)	4.2%	4.1%	7.7%	10.1%
Total liabilities	126,036	193,311	258,812	323,054	Return on equity (ROE)	6.8%	6.4%	13.1%	17.6%
Shareholders' equity	265,074	298,397	357,353	426,412	Enterprise value / EBITDA	NM	NM	NM	NM
Net Income (including charges)	1,545	10,081	31,900	55,356	Enterprise value / Free cash flow	NM	NM	NM	NM
D&A	12,195	23,475	39,330	49,328	P/E	209.2	179.7	51.5	30.5
Change in working capital	12,965	(553)	7,173	7,035					
Other	-	-	-	-					
Cash flow from operations	24,857	45,777	89,328	125,421					
Capex	(22,003)	(37,331)	(58,267)	(70,794)					
Free cash flow	2,944	8,457	31,061	54,627					
Cash flow from investing activities	(28,133)	(37,362)	(58,267)	(70,794)					
Cash flow from financing activities	196,716	15,537	0	0					
Dividends	-	-	-	-					
Dividend yield	-	-	-	-					

Source: Company reports and J.P. Morgan estimates.

Note: € in thousands (except per-share data). Fiscal year ends Dec

Neutral

OPEN, OPEN US

Price: \$102.97

▲ **Price Target: \$103.00**
Previous: \$73.00

United States

Internet

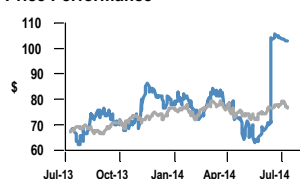
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J.P. Morgan Securities LLC

Price Performance



	YTD	1m	3m	12m
Abs	32.1%	46.1%	37.6%	56.5%
Rel	30.1%	44.3%	33.1%	38.9%

OpenTable Inc

Thoughts Into 2Q14 Earnings

- **We expect OpenTable to report an in-line quarter.** We're modeling 2Q revenue of \$55.9M, in-line with consensus and at the middle of guidance of \$54.7-56.9M. We expect EBITDA of \$21.4M vs. consensus of \$21.2M and guidance of \$20.1-21.3M, while our \$0.47 PF EPS is in-line with consensus (guidance of \$0.43 - \$0.48). We're modeling total NA seated diner growth of 30% Y/Y in 2Q (in-line with company guidance), an acceleration from 24% in 1Q. We are raising our PT to \$103 from \$73 to reflect Priceline's \$103 offer to acquire OpenTable.

Neutral

Company Data

Price (\$)	102.97
Date Of Price	10 Jul 14
52-week Range (\$)	106.30-61.50
Market Cap (\$ mn)	2,395.19
Fiscal Year End	Dec
Shares O/S (mn)	23
Price Target (\$)	103.00
Price Target End Date	31-Dec-14

OpenTable Inc (OPEN;OPEN US)

FYE Dec	2012A	2013A	2014E	2015E
EPS - Reported (\$)				
Q1 (Mar)	0.40	0.45	0.45A	-
Q2 (Jun)	0.42	0.50	0.47	-
Q3 (Sep)	0.42	0.50	0.46	-
Q4 (Dec)	0.46	0.59	0.54	-
FY	1.69	2.07	1.93	2.44
Bloomberg EPS FY (\$)	1.66	1.97	1.90	2.33

Source: Company data, Bloomberg, J.P. Morgan estimates.

Maintaining Estimates

We are maintaining estimates, as shown in the table below.

Table 22: J.P. Morgan Estimates vs. Consensus

OpenTable					
J.P. Morgan Estimates	2Q14E	3Q14E	4Q14E	2014E	2015E
<i>(\$ in millions except per share data)</i>					
Total Revenue	55.9	56.1	61.4	227.1	270.1
Y/Y Growth	22.6%	20.1%	17.3%	19.5%	18.9%
Subscription Revenue	16.7	17.2	17.6	68.0	72.9
Y/Y Growth	11.2%	8.5%	7.7%	10.0%	7.1%
Reservation Revenue	36.4	36.2	40.9	147.8	184.7
Y/Y Growth	31.6%	30.0%	25.8%	28.4%	25.0%
EBITDA	21.4	21.0	24.8	87.2	113.0
Y/Y Growth	3.0%	4.9%	9.9%	7.0%	29.6%
% Margin	38.3%	37.4%	40.4%	38.4%	41.9%
PF EPS	\$0.47	\$0.46	\$0.54	\$1.93	\$2.44
Y/Y Growth	-6.0%	-8.8%	-7.4%	-7.0%	26.6%
Consensus					
Total Revenue	55.8	55.8	61.0	226.2	264.2
EBITDA	21.2	21.1	24.4	86.6	105.8
PF EPS	\$0.47	\$0.45	\$0.53	\$1.90	\$2.33
Guidance					
	2Q14E			2014E	
Total Revenue	\$54.7-\$56.93 M			\$221.9-\$228.1 M	
EBITDA	\$20.1-\$21.29 M			\$83.6-\$89.5 M	
PF EPS	\$0.43-\$0.48			\$1.81-\$1.96	

Source: J.P. Morgan estimates, Bloomberg.

Investment Thesis, Valuation and Risks

OpenTable Inc (Neutral; Price Target: \$103.00)

Investment Thesis

We believe OpenTable is well positioned to benefit from the secular shift of restaurant reservations from offline (phone) to online. Despite significant share gains by online over the last decade, our analysis suggests that online restaurant reservations still represent just ~15-20% of overall reservation seated diners, and the phone remains OpenTable's largest competitor. We expect the share shift from offline to online reservations to continue as online offers restaurants and users several benefits. We're optimistic on the potential for conversion improvements in North America and recent positive trends in the UK. However, our estimates already factor in these improvements, and we think valuation appears full at these levels.

Valuation

Our \$103 PT reflects Priceline's offer to acquire OpenTable for \$103/shr in cash.

Risks to Rating and Price Target

Upside risks include: 1) macroeconomic conditions, including employment, improving faster than expected; 2) conversion improvements yielding higher seated diner growth; 3) continued multiple expansion in the Internet sector.

Downside risks include: higher-than-expected technology investments pressuring margins; increased levels of competition in international markets leading to lower international growth rates; lower sales, hardware and installation costs of a competitive cloud-based offering over time being potentially disrupting to OpenTable's current offering; and negative macro trends impacting OpenTable's business as it is dependent on consumer discretionary spending.

OpenTable Inc: Summary of Financials

Income Statement - Annual	FY13A	FY14E	FY15E	FY16E	Income Statement - Quarterly	1Q14A	2Q14E	3Q14E	4Q14E
Revenues	190	227	270	315	Revenues	54A	56	56	61
Operating income	46	31	67	83	Operating income	(3)A	10	10	13
D&A	17	24	24	27	D&A	6A	6	6	6
EBITDA	59	47	83	102	EBITDA	1A	14	14	18
Net interest income / (expense)	-	-	-	-	Net interest income / (expense)	-	-	-	-
Other income / (expense)	(0)	0	0	0	Other income / (expense)	0A	0	0	0
Pretax income	46	31	67	83	Pretax income	(3)A	10	10	13
Income taxes	(13)	(12)	(25)	(31)	Income taxes	(1)A	(4)	(3)	(5)
Net Income	33	19	42	53	Net Income	(4)A	7	6	9
Weighted average diluted shares	24	25	25	26	Weighted average diluted shares	24A	24	25	25
Diluted EPS	2.07	1.93	2.44	2.88	Diluted EPS	0.45A	0.47	0.46	0.54
Balance Sheet and Cash Flow Data	FY13A	FY14E	FY15E	FY16E	Ratio Analysis	FY13A	FY14E	FY15E	FY16E
Cash and cash equivalents	100	150	224	311	Sales growth	17.6%	19.5%	18.9%	16.8%
Accounts receivable	25	25	30	35	EBITDA growth	16.1%	7.0%	29.6%	19.9%
Other current assets	23	25	26	27	EPS growth	22.9%	(7.0%)	26.6%	18.1%
Current assets	162	214	293	387	EBITDA margin	42.9%	38.4%	41.9%	43.0%
PP&E	31	30	33	37	Net margin	26.1%	20.9%	22.7%	23.4%
Total assets	311	352	435	524	Debt / EBITDA	-	-	-	-
Total debt	-	-	-	-	Return on assets (ROA)	18.1%	14.3%	15.6%	15.4%
Total liabilities	81	74	84	95	Return on equity (ROE)	25.0%	18.7%	19.5%	18.9%
Shareholders' equity	230	278	351	429	Enterprise value / EBITDA	28.2	25.8	19.2	15.4
Net Income (including charges)	33	19	42	53	Enterprise value / Free cash flow	58.8	47.9	29.6	23.9
D&A	17	24	24	27	P/E	73.9	136.5	61.2	50.2
Change in working capital	2	(11)	4	5					
Other	11	31	22	25					
Cash flow from operations	59	63	92	109					
Capex	(20)	(16)	(19)	(22)					
Free cash flow	39	47	73	87					
Cash flow from investing activities	(56)	(16)	(19)	(22)					
Cash flow from financing activities	(3)	0	0	0					
Dividends	-	-	-	-					
Dividend yield	-	-	-	-					

Source: Company reports and J.P. Morgan estimates.

Note: \$ in millions (except per-share data). Fiscal year ends Dec

Overweight

TRLA,TRLA US

Price: \$40.21

Price Target: \$41.00

United States

Internet

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Bloomberg JPMA ANMUTH <GO>

J.P. Morgan Securities LLC

Price Performance



	YTD	1m	3m	12m
Abs	27.6%	13.4%	37.1%	35.9%
Rel	25.6%	11.6%	32.6%	18.3%

Trulia Inc.

Thoughts Into 2Q14 Earnings

We expect modest upside to 2Q results driven by strong real estate agent subscriber growth and continued growth in subscriber ARPU. **We remain positive on the strategic benefits Market Leader brings to Trulia and expect Market Leader to help drive 110% Y/Y total revenue growth to \$62.3M.** We expect the company to provide updated details around the early results of its new marketing campaign, which is expected to be delivering benefits at the top of the funnel, including more engaged users measured by visits growing faster than visitors.

- **Expecting strong 2Q results.** We are modeling 2Q revenue of \$62.3M, essentially in-line with consensus at \$62.3M. We project Marketplaces revenue (incl. Market Leader) of \$51.6M (+134% Y/Y), driven by core Trulia subscriber growth of 57% Y/Y, core Trulia ARPU growth of 7% Y/Y as Trulia continues to narrow the ARPU gap with Zillow and the addition of \$16.7M in Market Leader revenue which adds 76 points of growth. **We are modeling 8,400 net subscriber adds for a total of 75,100 ending subscribers vs. 7,000 net adds and 66,700 ending subs in 1Q.** We look for upside to overall ARPU from increasing adoption of TMA and previous TLA price increases. We project Media revenue of \$10.8M (+39% Y/Y). Additionally, we are modeling 2Q EBITDA of \$2.7M vs. guidance of \$2.3M-\$2.8M.
- **Market Leader integration.** Trulia continues to work on its integration with Market Leader and plans to increase cross-selling capabilities into the back half of the year. We remain positive on the strategic benefits Market Leader brings to Trulia, especially given the emphasis on the mobile platform. We believe seller ROI for Trulia's agents can be further enhanced through Market Leader's CRM software, and vice versa, as only ~30% of realtors currently use a contact management software. Market Leader also contributes leads to Trulia and we believe early benefits from the integration of Market Leader into Trulia will become more evident through the second half of 2014 as more innovative and integrated mobile products come to market and cross-selling of subscribers ramps up.

Overweight

Company Data

Price (\$)	40.21
Date Of Price	10 Jul 14
52-week Range (\$)	52.71-26.35
Market Cap (\$ mn)	1,512.95
Fiscal Year End	Dec
Shares O/S (mn)	38
Price Target (\$)	41.00
Price Target End Date	31-Dec-14

Trulia Inc. (TRLA;TRLA US)

FYE Dec	2012A	2013A	2014E (Prev)	2014E (Curr)	2015E
EPS - Reported (\$)					
Q1 (Mar)	(0.18)	(0.02)	(0.14)A	(0.14)A	-
Q2 (Jun)	(0.14)	0.05	(0.16)	(0.27)	-
Q3 (Sep)	(0.04)	0.49	(0.11)	(0.12)	-
Q4 (Dec)	(0.03)	0.03	0.03	0.02	-
FY	(0.37)	0.57	(0.37)	(0.37)	0.20
Bloomberg EPS FY (\$)	-0.38	0.59	-	-0.32	0.21

Source: Company data, Bloomberg, J.P. Morgan estimates.

- **Marketing campaign expected to drive traffic.** We expect the company to provide updated details around the early results of its \$45M annual marketing spend, which is expected to be delivering benefits at the top of the funnel, including more engaged users measured by visits growing faster than visitors. During recent investor presentations, Trulia commented that it has historically seen a 2-3 month lag between engagement lift to a lift in leads, and it believes the campaign is on schedule to continue delivering results further in the funnel, including subscriber growth and revenue/EBITDA benefits over the next 18 months. Trulia spent ~6 months testing marketing spend to arrive at the \$45M figure, and it believes that given the current online real estate market, it has optimized for the maximum spend with positive ROI.
- **Continued benefits from pricing and third slot rollout.** We also expect the company to highlight the 8-10x ROI its agents achieve on average, which we believe leaves material room for price improvement and ROI compression toward a more typical marketing ROI of 2-3x over the long term. In addition, as the rollout of the third slot continues, we believe Trulia is seeing incremental benefits to revenue with sufficient supply of leads to keep current and new agents satisfied. Pricing for the third slot is higher than the price paid by agents who own the first two, which, along with healthy ROIs and quality leads, may help client satisfaction.
- **Online penetration and ancillary service expansion.** We expect Trulia to discuss the current fragmented state of real estate advertising spend, including only ~\$500-600M spent with Trulia and Zillow (Z, not covered), and the \$5B+ of agent and broker marketing that is still spent offline in channels such as newspaper and outdoor. Trulia is confident that the current small online penetration creates a market where two big players can coexist and the online pie will continue to grow as agents see compelling ROI. In addition, we expect management to discuss other areas of the real estate and home buying market it can and has already started to address, including rentals, mortgages, and home improvement (the average American spends ~\$6k on home improvement within the first 6 months of buying a new home).

Adjusting Estimates

We are modestly adjusting our 2Q14, 2014 and 2015 EBITDA and EPS estimates following the June 3, 2014 8-K filing announcing a workforce reduction at Market Leader as well as pre-tax restructuring charges of \$4.0M-\$6.0M, the majority of which should be recorded during 2Q14. Trulia also indicated it would see \$4.0M-\$6.0M in cost savings through the remainder of 2014, but that the company would reinvest these anticipated savings into engineering and product development. Finally, the company reiterated full year 2014 revenue and EBITDA guidance of \$250M-\$253M in revenue and \$18M-\$22M in EBITDA.

Our 2014 revenue estimate remains \$252.5M vs. consensus of \$253.2M. Our 2014 EBITDA also remains essentially the same as our prior model at \$21.6M vs. consensus of \$21.3M.

Table 23: J.P. Morgan Adjusting Estimates

Trulia (\$ in thousands)	2Q14E		3Q14E		4Q14E		2014 JPME		2015 JPME	
	Old	New	Old	New	Old	New	Old	New	Old	New
Revenue	62,328	62,328	66,935	66,935	68,724	68,724	252,476	252,476	347,576	347,576
Y/Y Growth	109.8%	109.8%	66.2%	66.2%	38.2%	38.2%	75.7%	75.7%	37.7%	37.7%
% chg vs. old							2.0%	0.0%	3.2%	0.0%
EBITDA	2,680	2,650	5,234	5,320	10,927	10,807	21,615	21,550	53,179	53,180
Y/Y Growth	-21.2%	-22.1%	8.8%	10.6%	42.2%	40.7%	26.3%	26.0%	146.0%	146.8%
Margin (%)	4.3%	4.3%	7.8%	7.9%	15.9%	15.7%	8.6%	8.5%	15.3%	15.3%
% chg vs. old	-12.7%	-1.1%	1.1%	1.6%	-7.5%	-1.1%	0.0%	-0.3%	-1.3%	0.0%
GAAP EPS	(\$0.45)	(\$0.57)	(\$0.42)	(\$0.43)	(\$0.27)	(\$0.28)	(\$1.55)	(\$1.68)	(\$1.27)	(\$1.27)
Y/Y Growth	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM
% chg vs. old	0.5%	24.6%	16.2%	2.4%	-1.2%	1.1%	7.0%	8.0%	11.6%	0.0%
Non-GAAP EPS	(\$0.16)	(\$0.16)	(\$0.11)	(\$0.10)	\$0.03	\$0.02	(\$0.37)	(\$0.37)	\$0.20	\$0.20
Y/Y Growth	NM	NM	NM	NM	-5.0%	-12.9%	NM	NM	NM	NM
% chg vs. old		0.5%		-2.1%		-8.4%		0.5%		0.0%

Source: Company reports and J.P. Morgan estimates.

J.P. Morgan Estimates

Table 24: J.P. Morgan Estimates vs. Consensus

J.P. Morgan Estimates	2Q14E	3Q14E	4Q14E	2014E	2015E
(\$ in thousands except per share data)					
Total Revenue	62,328	66,935	68,724	252,476	347,576
Y/Y Growth	109.8%	66.2%	38.2%	75.7%	37.7%
Marketplace Revenue	34,859	37,428	40,506	143,143	214,218
Y/Y Growth	58.4%	50.9%	47.8%	55.3%	49.7%
Media Revenue	10,751	11,415	9,423	40,289	48,939
Y/Y Growth	39.4%	27.3%	23.5%	32.9%	21.5%
EBITDA	2,650	5,320	10,807	21,550	53,180
Y/Y Growth	-22.1%	10.6%	40.7%	26.0%	146.8%
% Margin	-7.2%	-3.6%	4.2%	-3.0%	4.3%
GAAP EPS	(\$0.57)	(\$0.43)	(\$0.28)	(\$1.68)	(\$1.27)
Y/Y Growth	NM	NM	NM	NM	NM
Non-GAAP EPS	(\$0.16)	(\$0.10)	\$0.02	(\$0.37)	\$0.20
Y/Y Growth	NM	NM	-12.9%	NM	NM
Consensus					
Total Revenue	62,255	67,382	69,182	253,182	335,727
EBITDA	2,383	5,503	10,241	21,318	53,791
GAAP EPS	(\$0.47)	(\$0.38)	(\$0.27)	(\$1.50)	(\$0.89)
Non-GAAP EPS	(\$0.15)	(\$0.10)	\$0.03	(\$0.32)	\$0.21
Guidance					
Revenue	\$61.5 - 62.5M			\$250 - 253M	
EBITDA	\$2.3 - 2.8M			\$18 - 22M	

Source: J.P. Morgan estimates, Bloomberg

Investment Thesis, Valuation and Risks

Trulia Inc. (Overweight; Price Target: \$41.00)

Investment Thesis

We believe Trulia's product platform and attractive agent ROI proposition—along with tailwinds from the secular shift online and the housing recovery—position it to significantly improve monetization and profitability over the next few years. We believe the market can support multiple online real estate players over time and Trulia has opportunities in adjacent markets including rentals, mortgages, agent tools, home improvement, and international.

Valuation

Maintaining \$41 Price Target. We believe Trulia deserves a premium to the broader market and much of our Internet coverage universe given its higher growth rates and margin expansion potential over the next few years. We are maintaining our \$41 price target based on our DCF valuation including a 12% cost of capital, 3.0% terminal growth rate, and 11.5x terminal EBITDA multiple. Our \$41 price target implies a 2015E EV/Revenue multiple of ~6.1x which is at a discount to Zillow (~11.5x) and to Trulia's comp group including Zillow, LinkedIn and TripAdvisor, which currently trade at an average of ~9x 2015E Revenue.

Risks to Rating and Price Target

Downside risks include: 1) a decline in the macro housing industry could have a material impact on Trulia's performance; 2) limited financial history and potential challenges in maintaining profitability; 3) highly competitive environment could lead to increased investments and marketing expenses; 4) problems or issues with the integration of Market Leader; and 5) potential lawsuits between competitors could result in unexpected legal costs.

Trulia Inc.: Summary of Financials

Income Statement - Annual	FY13A	FY14E	FY15E	FY16E	Income Statement - Quarterly	1Q14A	2Q14E	3Q14E	4Q14E
Revenues	144	252	348	450	Revenues	54A	62	67	69
Operating income	(24)	(57)	(42)	(33)	Operating income	(13)A	(20)	(15)	(9)
D&A	12	29	38	43	D&A	6A	7	8	8
EBITDA	(12)	(28)	(4)	9	EBITDA	(7)A	(12)	(7)	(1)
Net interest income / (expense)	(1)	(6)	(6)	(7)	Net interest income / (expense)	(2)A	(2)	(2)	(2)
Other income / (expense)	(1)	(6)	(6)	(7)	Other income / (expense)	(2)A	(2)	(2)	(2)
Pretax income	(25)	(63)	(49)	(40)	Pretax income	(15)A	(21)	(16)	(11)
Income taxes	17	(0)	0	0	Income taxes	(0)A	0	0	0
Net Income	(9)	(63)	(49)	(40)	Net Income	(15)A	(21)	(16)	(11)
Weighted average diluted shares	36	38	42	43	Weighted average diluted shares	37A	37	38	53
Diluted EPS	0.57	(0.37)	0.20	0.70	Diluted EPS	(0.14)A	(0.27)	(0.12)	0.02
Balance Sheet and Cash Flow Data	FY13A	FY14E	FY15E	FY16E	Ratio Analysis	FY13A	FY14E	FY15E	FY16E
Cash and cash equivalents	226	170	132	106	Sales growth	111.1%	75.7%	37.7%	29.6%
Accounts receivable	12	16	21	23	EBITDA growth	(428.1%)	53.5%	213.7%	49.0%
Other current assets	12	17	19	25	EPS growth	(255.7%)	(165.4%)	(154.4%)	244.2%
Current assets	250	203	172	154	EBITDA margin	7.7%	6.7%	15.3%	17.6%
PP&E	22	32	20	20	Net margin	14.2%	(5.5%)	2.4%	6.6%
Total assets	655	621	576	558	Debt / EBITDA	20.8	13.6	4.3	2.9
Total debt	230	230	230	230	Return on assets (ROA)	5.3%	(2.2%)	1.4%	5.3%
Total liabilities	274	287	298	315	Return on equity (ROE)	8.7%	(3.9%)	2.8%	11.5%
Shareholders' equity	381	333	279	243	Enterprise value / EBITDA	142.4	96.1	31.3	21.4
Net Income (including charges)	(18)	(63)	(49)	(40)	Enterprise value / Free cash flow	NM	NM	64.3	33.1
D&A	12	29	38	43	P/E	NM	NM	NM	NM
Change in working capital	(12)	9	4	10					
Other	-	-	-	-					
Cash flow from operations	(1)	19	51	83					
Capex	(17)	(36)	(31)	(38)					
Free cash flow	(10)	(10)	26	51					
Cash flow from investing activities	(175)	(41)	(31)	(38)					
Cash flow from financing activities	302	(34)	(57)	(70)					
Dividends	-	-	-	-					
Dividend yield	-	-	-	-					

Source: Company reports and J.P. Morgan estimates.

Note: \$ in millions (except per-share data). Fiscal year ends Dec

Neutral

RATE;RATE US

Price: \$17.58

Price Target: \$19.00

United States

Internet

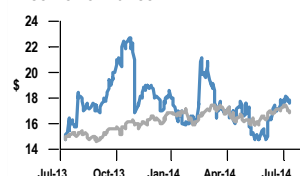
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J.P. Morgan Securities LLC

Price Performance



	YTD	1m	3m	12m
Abs	3.2%	11.5%	9.0%	24.1%
Rel	1.2%	9.7%	4.5%	6.5%

Bankrate Inc

Thoughts Into 2Q14 Earnings

- We expect Bankrate to report an in-line quarter driven by strength across all three segments. Our 2Q revenue estimate of \$132M (+25% Y/Y) and EBITDA of \$33.15M (25% margin) are relatively in-line with consensus of \$133M and \$33.6M respectively. Bankrate guided to 2Q revenue and EBITDA of \$130-135M and \$32-34M respectively. We believe Bankrate continues to take share in performance-based online financial services advertising.
- **US credit card and insurance to drive strong results.** We think improvements in company's insurance quality should drive overall insurance lead and click revenue growth. We believe Bankrate's lead quality improvements have led to higher lead conversion rates and increased carrier and agent demand.
- **Potential easing of credit standards a positive for Bankrate.** According to data from Equifax, banks and other lenders issued 3.7M credit card to subprime borrowers in 1Q, up 39% from a year ago. Moreover, about a third of all credit cards issued in 1Q were to subprime borrowers, the highest share in 6 years. While we believe Creditcards.com offers higher quality traffic, we think some easing of credit standards could have some positive impact on Bankrate's credit card segment.
- **Caring.com Acquisition moves Bankrate into new vertical.** Bankrate believes the senior housing market is a \$60B market and roughly half the size of the US apartment market. Caring.com provides assisted living and eldercare content, online support groups, and a Senior Care Directory for the United States. Caring generates revenues primarily through referral fees from senior housing communities, as well as subscription and display revenue.

Neutral

Company Data

Price (\$)	17.58
Date Of Price	10 Jul 14
52-week Range (\$)	23.14-14.44
Market Cap (\$ mn)	1,756.18
Fiscal Year End	Dec
Shares O/S (mn)	100
Price Target (\$)	19.00
Price Target End Date	31-Dec-14

BANKRATE INC (RATE;RATE US)

FYE Dec	2012A	2013A	2014E	2015E
EPS - Reported (\$)				
Q1 (Mar)	0.18	0.12	0.17A	-
Q2 (Jun)	0.18	0.10	0.15	-
Q3 (Sep)	0.13	0.13	0.18	-
Q4 (Dec)	0.06	0.17	0.20	-
FY	0.61	0.53	0.70	0.89
Bloomberg EPS FY (\$)	0.60	0.51	0.69	0.83

Source: Company data, Bloomberg, J.P. Morgan estimates.

Maintaining Estimates

We are maintaining estimates, as shown in the table below.

Table 25: J.P. Morgan Estimates vs. Consensus

J.P. Morgan Estimates	2Q14E	3Q14E	4Q14E	2014E	2015E
<i>(\$ in millions, except per share data)</i>					
Total Revenue	132.1	137.1	138.6	544.2	601.9
Y/Y Growth	25.1%	13.1%	13.4%	19.0%	10.6%
EBITDA	33.1	37.7	41.0	147.9	176.4
Y/Y Growth	26.7%	18.1%	15.9%	21.3%	19.2%
% Margin	25.1%	27.5%	29.6%	27.2%	29.3%
PF EPS	\$0.15	\$0.18	\$0.20	\$0.70	\$0.89
Y/Y Growth	48.5%	32.5%	17.7%	32.4%	27.3%
Consensus					
Total Revenue	133.0	140.1	138.2	547.7	611.1
Adjusted EBITDA	33.6	37.9	40.7	148.3	174.8
Pro forma EPS	\$0.15	\$0.18	\$0.19	\$0.69	\$0.83
Guidance					
Total Revenue	\$130-\$135M			\$540 - 550M	
EBITDA	\$32-\$34M			\$145 - 150M	

Source: J.P. Morgan estimates, Bloomberg.

Investment Thesis, Valuation and Risks

Bankrate Inc (Neutral; Price Target: \$19.00)

Investment Thesis

We believe Bankrate is well positioned to benefit from the secular and cyclical growth of online financial services advertising. Bankrate's rich content and information make it a primary destination for personal finance research and we believe the company is more diversified through key acquisitions in insurance and credit cards. However, Bankrate is in the process of removing underperforming leads in its insurance segment and softness in credit card approvals could weigh on near-term results.

Valuation

Our year-end 2014 price target of \$19 is based on ~21x our 2015E PF EPS of \$0.89. Our PT multiple is in line with other online advertising names such as Google.

Risks to Rating and Price Target

Upside risks include:

1. A faster-than-expected economic and housing recovery in the US, which could drive higher mortgage and credit card marketing spend.
2. Credit card marketing seeing a significant rebound sooner than expected.
3. Quality improvements leading to improved pricing sooner than our expectations.

Downside risks include:

1. Bankrate faces competition from several smaller companies driving leads to insurance advertisers. Though Bankrate has not seen these pressures in its business to date, we think cheaper, low-quality leads pose a risk to pricing in the near term.
2. In addition, a further deterioration of the economy or housing market could pressure pricing in the mortgage vertical.
3. Further weakness in credit card marketing spend or an inability to drive higher insurance lead pricing.
4. If Bankrate is not able to successfully replace lost affiliate revenue with O&O revenue.

Bankrate Inc: Summary of Financials

Income Statement - Annual	FY13A	FY14E	FY15E	FY16E	Income Statement - Quarterly	1Q14A	2Q14E	3Q14E	4Q14E
Revenues	457	544	602	665	Revenues	136A	132	137	139
Operating income	33	72	120	158	Operating income	14A	16	20	22
D&A	60	59	43	38	D&A	14A	14	14	16
EBITDA	93	131	163	196	EBITDA	28A	30	35	38
Net interest income / (expense)	-	-	-	-	Net interest income / (expense)	-	-	-	-
Other income / (expense)	(48)	(23)	(16)	(16)	Other income / (expense)	(5)A	(6)	(6)	(6)
Pretax income	(15)	50	104	142	Pretax income	9A	10	14	17
Income taxes	5	(20)	(41)	(55)	Income taxes	(4)A	(4)	(6)	(6)
Net Income	(10)	30	64	87	Net Income	5A	6	9	10
Weighted average diluted shares	100	103	104	106	Weighted average diluted shares	103A	103	103	103
Diluted EPS	0.53	0.70	0.89	1.07	Diluted EPS	0.17A	0.15	0.18	0.20
Balance Sheet and Cash Flow Data	FY13A	FY14E	FY15E	FY16E	Ratio Analysis	FY13A	FY14E	FY15E	FY16E
Cash and cash equivalents	230	308	406	520	Sales growth	0.1%	19.0%	10.6%	10.5%
Accounts receivable	62	70	77	85	EBITDA growth	(1.0%)	21.3%	19.2%	18.4%
Other current assets	17	14	14	14	EPS growth	(13.2%)	32.4%	27.3%	20.0%
Current assets	309	392	497	619	EBITDA margin	26.7%	27.2%	29.3%	31.4%
PP&E	13	30	45	55	Net margin	11.6%	13.2%	15.4%	17.0%
Total assets	1,297	1,342	1,422	1,521	Debt / EBITDA	2.4	2.0	1.7	1.4
Total debt	297	297	297	297	Return on assets (ROA)	4.3%	5.5%	6.7%	7.7%
Total liabilities	458	427	443	455	Return on equity (ROE)	6.3%	8.2%	9.8%	11.0%
Shareholders' equity	839	915	979	1,066	Enterprise value / EBITDA	17.6	13.9	11.1	8.9
Net Income (including charges)	(10)	30	64	87	Enterprise value / Free cash flow	28.3	39.3	20.2	16.1
D&A	60	59	43	38	P/E	NM	60.8	28.8	21.4
Change in working capital	27	(33)	(5)	(5)					
Other	-	-	-	-					
Cash flow from operations	91	69	115	133					
Capex	(16)	(17)	(17)	(18)					
Free cash flow	75	52	97	115					
Cash flow from investing activities	(19)	(17)	(17)	(18)					
Cash flow from financing activities	100	0	0	0					
Dividends	-	-	-	-					
Dividend yield	-	-	-	-					

Source: Company reports and J.P. Morgan estimates.

Note: \$ in millions (except per-share data). Fiscal year ends Dec

Overweight

TRUE,TRUE US

Price: \$13.45

Price Target: \$19.00

United States

Internet

Doug Anmuth ^{AC}

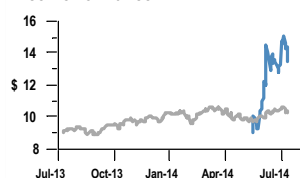
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J.P. Morgan Securities LLC

Price Performance



	YTD	1m	3m	12m
Abs	62.6%	4.4%	62.6%	62.6%
Rel	60.6%	2.6%	58.1%	45.0%

TrueCar Inc.

Thoughts Into 2Q14 Earnings

Expecting Strong First Public Quarter Aided by Impressive Auto Industry Tailwinds

- We expect TrueCar could report 2Q results with upside to our Transaction revenue estimate of \$41.8M (+52% Y/Y) driven by strong traffic growth and dealer network expansion, along with robust auto industry trends including SAAR of 16.6M for 2Q14 and 17.0M for June, the strongest month since July 2006. We remain positive on TrueCar given its small but growing market share and we are encouraged by progress towards new products that should ultimately expand the company's already large addressable market. We believe shares remain attractive at current levels and our \$19 DCF-based price target equates to ~5.8x 2015E revenue.
- Expecting solid first public quarter.** We are modeling total 2Q14 revenue of \$46.0M (+47.4% Y/Y) vs. consensus of \$45.5M, including Transaction revenue of \$41.8M (+52.3% Y/Y) and Data & Other revenue of \$4.2M (+12.0% Y/Y). We expect EBITDA of \$0.9M (1.9% margin) vs. consensus of \$1.1M. We expect upside to our 137k units (+42% Y/Y) estimate given the new car sales industry tailwind and a growing dealer count (TrueCar reported its network of certified dealers is now over 8,000, including franchise and independent dealers)
- Early progress towards TrueTrade.** In late June, TrueCar announced the launch of TrueCar Labs Innovation Incubator to launch and test new products. The first test product out of the incubator is a "Sell My Car" app, which enables consumers to receive an upfront offer on a current vehicle. In the app, users answer questions and take pictures of their car in a 10-15 minute interview. The information is used to help participating dealers in the user's area make offers for the car within 24 hours. We expect Sell My Car will ultimately—using learnings from this test launch—become a more holistic and refined car selling and trade-in tool marketed as TrueTrade. We note that TrueCar already has a similar, desktop-based tool available to USAA members (Vehicle Purchase Program) that will continue to run through the USAA partnership. In its press release, TrueCar outlined other challenges it will attempt to solve with new products launched via the incubator such as tools to track real-time value for vehicles for consumers and dealers and to increase efficiency and customer satisfaction at a dealership while reducing the time spent.

Overweight

Company Data	
Price (\$)	13.45
Date Of Price	10 Jul 14
52-week Range (\$)	15.85-9.05
Market Cap (\$ mn)	980.86
Fiscal Year End	Dec
Shares O/S (mn)	73
Price Target (\$)	19.00
Price Target End Date	31-Dec-14

TrueCar (TRUE;TRUE US)

FYE Dec	2012A	2013A	2014E	2015E	2016E
Analyst Adjusted Diluted					
EPS (\$)					
Q1 (Mar)	(0.42)	(0.10)	(0.03)A	-	-
Q2 (Jun)	(0.30)	0.00	(0.02)	-	-
Q3 (Sep)	(0.13)	0.00	0.00	-	-
Q4 (Dec)	(0.16)	(0.03)	(0.00)	-	-
FY	(1.01)	(0.13)	(0.04)	0.16	0.38

Source: Company data, Bloomberg, J.P. Morgan estimates.

- **What to look for:** **1)** effectiveness of recent marketing campaigns (estimating \$24.5M in Sales & Marketing expense in 2Q, representing 53.1% of revenue) to drive engagement on the Truecar.com channel (estimating total 4.3M average monthly unique visitors across channels in 2Q, +75% Y/Y), higher conversion rates and expanding market share; **2)** commentary on the lift from stronger than expected US new car sales; **3)** deeper penetration into used cars given the growing number of independent dealers and push into trade-ins; **4)** insight into management's thinking around product testing process and timeline in the new innovation incubator; **5)** impact of mobile tools including VIN scanner and any early feedback from new Sell My Car app; and **6)** comments on recent hires to bring outside legal team in-house. We note the relatively high G&A expense (we expect 2014 G&A is 18% of revenue compared an average of 12% for other recently public internet companies in our coverage) given legal/regulatory spending to stay compliant within the complex state-by-state auto industry legal framework.

Maintaining Estimates

We are maintaining estimates, as shown in the table below.

Table 26: J.P. Morgan Estimates vs. Consensus

J.P. Morgan Estimates	2Q14E	3Q14E	4Q14E	2014E	2015E
(\$ in millions except per share data)					
Total Revenue	46.0	49.5	51.5	191.0	263.0
Y/Y Growth	47.4%	31.9%	28.4%	42.6%	37.7%
Transaction Revenue	41.8	45.0	47.3	174.1	245.1
Y/Y Growth	52.3%	34.3%	30.6%	46.7%	40.7%
Data & Other	4.2	4.5	4.2	16.9	17.9
Y/Y Growth	12.0%	12.0%	8.0%	10.9%	6.0%
EBITDA	0.9	2.3	1.8	5.9	23.1
Y/Y Growth	-66.6%	-4.1%	NM	175.3%	292.2%
% Margin	1.9%	4.7%	3.5%	3.1%	8.8%
GAAP EPS	(\$0.22)	(\$0.14)	(\$0.15)	(\$0.67)	(\$0.29)
Y/Y Growth	NM	NM	NM	NM	NM
Non-GAAP EPS	(\$0.02)	\$0.00	(\$0.00)	(\$0.04)	\$0.16
Y/Y Growth	NM	160.9%	NM	NM	NM
Consensus					
Total Revenue	45.5	51.2	51.1	192.0	263.6
EBITDA	1.1	2.0	1.4	5.6	24.0
Non-GAAP EPS	(\$0.08)	(\$0.05)	(\$0.06)	(\$0.24)	(\$0.01)

Source: J.P. Morgan estimates, Bloomberg.

Investment Thesis, Valuation and Risks

TrueCar Inc. (Overweight; Price Target: \$19.00)

Investment Thesis

TrueCar is simplifying the car buying process for users by combining proprietary and third-party data with robust analytics to offer a transparent and easy-to-use car buying tool. The auto sector is one of the largest segments of the US economy and is one of the largest ad sectors. We believe TrueCar can continue to take share from less efficient offline ad sources and that there is room for dealer network expansion (currently working with ~8,000 dealers including independents, of ~33k in US) and to drive more of each TrueCar Dealers' volume (currently ~15%). We believe TrueCar provides a compelling value for users, dealers, and partners through price transparency and confidence, low-risk efficient marketing spend, and offering a high value benefit that is difficult to operate.

Valuation

Our \$19 December 2014 price target is based on our DCF through 2020, which assumes 12% cost of capital, 3% terminal growth rate, and 11.5x terminal EBITDA multiple. Key drivers of our DCF projections include a 2013-20E CAGR of 26% for revenue growth and 91% for EBITDA, which we expect will grow from \$2.1M in 2013 to \$122.5M by 2018.

Risks to Rating and Price Target

Downside risks include: **1) Given the magnitude of marketing spend and the intent to grow the TrueCar.com channel (faster than partner channels), TrueCar needs to maintain efficient traffic growth.** Marketing spend represents ~50%+ of revenue and we do not expect material leverage in the near term, but note that revenue from expected product launches over the next few years could provide upside. **2) Managing dealer relationships over time will be critical.** During late 2011/early 2012, dealer sentiment towards TrueCar weakened after an unintended environment of extreme price competition developed among dealers. TrueCar has since addressed key concerns, strengthened dealer relationships, and altered marketing focus, but we remain focused on the company's ability to stay proactive regarding dealer reaction to any changes or new products. **3) Regulation in the auto industry** (and industries such as finance, where TrueCar may become involved with new products around auto financing) remains high. We believe TrueCar has invested sufficiently in a strong legal team, but note the possibility that interpretations of existing regulations, new regulations, or new products could result in regulatory issues for the company to address. **4) Concentration in USAA and key partners**, while declining, remains a risk. We believe the newly renewed contract with USAA and significant equity incentive (~20%+ ownership) is evidence of a strong, long-term strategic relationship between USAA and TrueCar, but note that ~40% of 2013 units were driven by USAA and if USAA deemphasized the car buying program on its site, TrueCar units could be impacted.

TrueCar Inc.: Summary of Financials

Income Statement - Annual	FY13A	FY14E	FY15E	FY16E	Income Statement - Quarterly	1Q14A	2Q14E	3Q14E	4Q14E
Gross Revenues	-	-	-	-	Gross Revenues	-	-	-	-
Revenues	134	191	263	340	Revenues	44A	46	50	52
Operating income	(23)	(45)	(21)	(6)	Operating income	(10)A	(15)	(10)	(11)
D&A	12	12	13	17	D&A	3A	3	3	3
EBITDA	(11)	(33)	(8)	11	EBITDA	(6)A	(12)	(7)	(8)
Net interest income / (expense)	0	(0)	(0)	(0)	Net interest income / (expense)	(0)A	(0)	(0)	(0)
Other income / (expense)	(2)	(0)	(0)	(0)	Other income / (expense)	(0)A	(0)	(0)	(0)
Pretax income	(24)	(46)	(21)	(6)	Pretax income	(10)A	(15)	(10)	(11)
Income taxes	(1)	(0)	0	0	Income taxes	(0)A	0	0	0
Net Income	(25)	(46)	(21)	(6)	Net Income	(10)A	(15)	(10)	(11)
Weighted average diluted shares	59	69	86	89	Weighted average diluted shares	63A	68	83	73
Diluted EPS	(0.13)	(0.04)	0.16	0.38	Diluted EPS	(0.03)A	(0.02)	0.00	(0.00)
Balance Sheet and Cash Flow Data	FY13A	FY14E	FY15E	FY16E	Ratio Analysis	FY13A	FY14E	FY15E	FY16E
Cash and cash equivalents	44	114	128	161	Sales growth	67.7%	42.6%	37.7%	29.4%
Accounts receivable	19	24	29	37	EBITDA growth	(104.6%)	175.3%	292.2%	103.2%
Other current assets	7	9	12	15	EPS growth	(87.4%)	(69.6%)	(504.2%)	142.8%
Current assets	70	147	168	213	EBITDA margin	1.6%	3.1%	8.8%	13.8%
PP&E	15	17	20	24	Net margin	(5.6%)	(1.4%)	5.1%	9.9%
Total assets	175	249	269	314	Debt / EBITDA	2.2	0.8	0.2	0.1
Total debt	5	5	5	5	Return on assets (ROA)	(4.7%)	(1.3%)	5.2%	11.6%
Total liabilities	33	43	52	64	Return on equity (ROE)	(6.2%)	(1.5%)	6.4%	14.4%
Shareholders' equity	141	207	217	250	Enterprise value / EBITDA	288.3	92.8	23.1	10.6
Net Income (including charges)	(25)	(46)	(21)	(6)	Enterprise value / Free cash flow	NM	NM	39.6	14.9
D&A	12	12	13	17	P/E	NM	NM	NM	NM
Change in working capital	(7)	(2)	1	0					
Other	-	-	-	-					
Cash flow from operations	(4)	(0)	24	47					
Capex	(8)	(9)	(11)	(14)					
Free cash flow	(12)	(9)	13	34					
Cash flow from investing activities	(5)	(4)	(11)	(14)					
Cash flow from financing activities	31	74	0	0					
Dividends	-	-	-	-					
Dividend yield	-	-	-	-					

Source: Company reports and J.P. Morgan estimates.

Note: \$ in millions (except per-share data). Fiscal year ends Dec

Overweight

CHGG,CHGG US

Price: \$6.50

Price Target: \$11.00

United States

Internet

Doug Anmuth ^{AC}

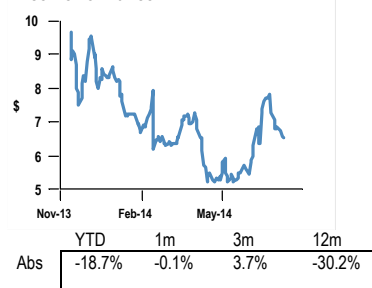
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Price Performance



Chegg, Inc.

Thoughts Into 2Q14 Earnings

Expect 2Q Focus on Digital & Acquisitions; Look for Fall Textbook Rush Expectations; Remain Positive on Digital Shift

- **We believe Chegg's 2Q will be focused on the company's growing digital businesses, including new acquisitions Campus Special and InstaEDU.** We believe there could be upside to Digital Revenue given the potential for new products and services to drive increased engagement and cross-sell opportunities. Importantly, we believe the company will be able to accelerate its projected pace of digital transition given recent acquisitions and positive network effects from momentum in existing digital business—we expect upside to our current \$94M digital revenue estimate for 2014 which represents a 70/30 split between Print/Digital. We note that at the current price of \$6.50, Chegg shares trade at 1.7x 2014E revenue (or 2.4x revenue for only the print textbook business—excluding digital revenue) and 15.9x 2015E EV/EBITDA. We continue to believe shares are attractive at current levels and our \$11 DCF-based price target equates to ~3x 2014E revenue and ~28x 2015E EBITDA.
- **Expecting solid 2Q.** We expect 2Q14 revenue of \$64.4M (+15% Y/Y) vs. consensus of \$64.0M including Print revenue of \$44.4M (+2% Y/Y, 69% of total revenue) and Digital revenue of \$20.0M (+15% Y/Y, 31% of total revenue). We expect EBITDA of \$0.7M vs. consensus of \$0.9M, down from \$5.1M in 2Q13 given previously discussed pricing pressure from Amazon. We believe the impact to average rental price has been offset by incremental organic demand, leading to units and bookings that are in-line with expectations, but are achieved at a lower gross margin.
- **We believe there could be upside to 2Q and 2014 Digital Revenue** given encouraging tailwinds including: 1) Chegg Study momentum into finals; 2) cross-sell opportunities to users of recently acquired services Campus Special and InstaEDU; 3) increased engagement with new products such as Chegg Career Services and partnerships such as internships.com benefit the overall platform value proposition and expand marketing opportunities.

Overweight

Company Data	
Price (\$)	6.50
Date Of Price	10 Jul 14
52-week Range (\$)	12.50-4.82
Market Cap (\$ mn)	550.42
Fiscal Year End	Dec
Shares O/S (mn)	85
Price Target (\$)	11.00
Price Target End Date	31-Dec-14

Chegg, Inc. (CHGG;CHGG US)

FYE Dec	2012A	2013A	2014E	2015E
EPS - Reported (\$)				
Q1 (Mar)	(1.77)	(1.00)	(0.22)A	-
Q2 (Jun)	(0.20)	0.15	(0.01)	-
Q3 (Sep)	(1.78)	(1.88)	(0.29)	-
Q4 (Dec)	1.33	0.41	0.25	-
FY	(0.37)	(0.67)	(0.26)	0.20
Bloomberg EPS FY (\$)	-0.37	-0.27	-0.26	0.18

Source: Company data, Bloomberg, J.P. Morgan estimates.

- Physical textbooks.** We note that the Print textbook business is very semester-driven where part of the already-booked spring semester textbook rental revenue is recognized in early 2Q in addition to some early revenue from the much smaller summer semester textbook rental season. Thus, we do not expect much variability in Print Revenue relative to expectations. Where we could see variability is in Print gross margins, where any worsening of pricing pressure during the quarter could cause incremental margin pressure. As a result, the full textbook rush will soon be in focus, and we believe Chegg will be better prepared for potential textbook competition in terms of both pricing dynamics and first-party third-party shift.

Maintaining Estimates

We are maintaining our estimates, as shown in the table below.

Table 27: J.P. Morgan Estimates vs. Consensus

J.P. Morgan Estimates	2Q14E	3Q14E	4Q14E	2014E	2015E
(\$ in millions except per share data)					
Total Revenue	64.4	80.3	98.4	317.6	401.7
Y/Y Growth	15.3%	30.4%	27.7%	24.3%	26.5%
Print Textbooks Revenue	44.4	56.0	66.7	223.8	260.3
Y/Y Growth	1.5%	15.3%	10.4%	10.2%	16.3%
Non-Print Products & Services Revenue	20.0	24.3	31.7	93.8	141.5
Y/Y Growth	65.2%	86.8%	90.4%	78.7%	50.8%
EBITDA incl. book depreciation	0.7	(21.5)	25.3	(12.1)	33.1
Y/Y Growth	0.7%	NM	22.6%	NM	NM
% Margin	30.4%	-0.2%	47.4%	-3.8%	8.2%
GAAP EPS	(\$0.12)	(\$0.38)	\$0.14	(\$0.67)	(\$0.29)
Y/Y Growth	NM	NM	NM	NM	NM
Non-GAAP EPS	(\$0.01)	(\$0.29)	\$0.25	(\$0.26)	\$0.20
Y/Y Growth	-109.0%	NM	-37.6%	NM	NM
Consensus					
Total Revenue	64.0	78.3	98.9	315.7	403.6
EBITDA	0.9	(15.8)	26.3	(11.2)	66.8
GAAP EPS	(\$0.09)	(\$0.37)	\$0.19	(\$0.57)	(\$0.13)
Non-GAAP EPS	(\$0.02)	(\$0.30)	\$0.26	(\$0.26)	\$0.18
Guidance					
Revenue	\$61M-\$65M			\$310M-\$320M	
Print Revenue	\$42.7M-\$44.9M			\$220.8M-\$223.2M	
Non-Print Revenue	\$18.3M-\$20.2M			\$86.8M-\$96.0M	
EBITDA incl. book depreciation	(\$2M)-\$2M			(\$15M)-(\$10M)	

Source: J.P. Morgan estimates, Bloomberg.

Investment Thesis, Valuation and Risks

Chegg, Inc. (*Overweight; Price Target: \$11.00*)

Investment Thesis

We rate Chegg shares Overweight given its student-first platform and network that is working to disrupt the education industry. Chegg provides students more efficient and affordable ways to learn and connect with schools and classmates. Over the next several years, we believe Chegg's business will shift from predominantly print textbook rentals to a wide range of high-growth, high-margin digital and Non-Print services, with key components today including Chegg Study textbook solutions and homework help, college enrollment marketing, and eTextbooks. This transition is well under way—with only 13% of 2012 revenue in digital and a projected 30% for 2014E. We expect the shift to digital to strengthen Chegg's financial profile going forward.

Valuation

December 2014 price target of \$11. Our \$11 December 2014 price target is based on our DCF analysis through 2020, which assumes a 12.5% cost of capital, 2.5% terminal growth rate, and 10.5x terminal EBITDA multiple. Key drivers of our DCF projections include a 2012-2020E revenue CAGR of 22%. Our \$11 price target implies ~3x 2014E Revenue of \$317.6M and ~28x 2015E EBITDA of \$33.1M.

Risks to Rating and Price Target

Downside risks include: 1) competition in the textbook market where Chegg primarily competes with college bookstores and Amazon; 2) the transition to digital reducing barriers to entry given the capital-intensive nature of the print textbook rental business; 3) Chegg relying on relationships with publishers for textbooks and certain study aid solutions; and 4) strong Non-Print execution being required in order for the company to shift from print textbooks.

Chegg, Inc.: Summary of Financials

Income Statement - Annual	FY13A	FY14E	FY15E	FY16E	Income Statement - Quarterly	1Q14A	2Q14E	3Q14E	4Q14E
Revenues	256	318	402	521	Revenues	74A	64	80	98
Operating income	(51)	(55)	(19)	18	Operating income	(26)A	(10)	(32)	13
D&A	76	94	106	120	D&A	22A	21	25	25
EBITDA	24	40	86	138	EBITDA	(3)A	12	(7)	38
Net interest income / (expense)	(4)	(1)	0	0	Net interest income / (expense)	(0)A	(0)	(0)	(0)
Other income / (expense)	(4)	(1)	0	0	Other income / (expense)	0A	(0)	(0)	(0)
Pretax income	(55)	(55)	(19)	18	Pretax income	(26)A	(10)	(32)	12
Income taxes	(1)	(1)	(7)	(7)	Income taxes	(0)A	(0)	(0)	(0)
Net Income	(56)	(56)	(26)	11	Net Income	(26)A	(10)	(32)	12
Weighted average diluted shares	21	85	89	92	Weighted average diluted shares	82A	84	86	87
Diluted EPS	(0.67)	(0.26)	0.20	0.71	Diluted EPS	(0.22)A	(0.01)	(0.29)	0.25
Balance Sheet and Cash Flow Data	FY13A	FY14E	FY15E	FY16E	Ratio Analysis	FY13A	FY14E	FY15E	FY16E
Cash and cash equivalents	114	120	141	218	Sales growth	19.8%	24.3%	26.5%	29.7%
Accounts receivable	7	11	20	21	EBITDA growth	(74.8%)	203.6%	(372.8%)	157.7%
Other current assets	3	5	18	23	EPS growth	81.4%	(61.5%)	(177.5%)	254.3%
Current assets	124	135	179	262	EBITDA margin	(1.6%)	(3.8%)	8.2%	16.4%
PP&E	148	251	302	357	Net margin	(5.5%)	(6.9%)	4.4%	12.5%
Total assets	327	441	535	674	Debt / EBITDA	0.0	0.0	0.0	0.0
Total debt	0	0	0	0	Return on assets (ROA)	(5.3%)	(5.7%)	3.6%	10.7%
Total liabilities	53	67	96	121	Return on equity (ROE)	(14.9%)	(6.7%)	4.4%	13.1%
Shareholders' equity	274	374	439	553	Enterprise value / EBITDA	NM	NM	9.7	2.9
Net Income (including charges)	(56)	(56)	(26)	11	Enterprise value / Free cash flow	NM	NM	15.3	3.2
D&A	76	94	106	120	P/E	NM	NM	NM	53.5
Change in working capital	1	8	7	18					
Other	-	-	-	-					
Cash flow from operations	64	79	119	191					
Capex	(130)	(146)	(157)	(176)					
Free cash flow	(24)	(10)	21	77					
Cash flow from investing activities	(92)	(90)	(98)	(115)					
Cash flow from financing activities	146	0	0	0					
Dividends	-	-	-	-					
Dividend yield	-	-	-	-					

Source: Company reports and J.P. Morgan estimates.

Note: \$ in millions (except per-share data). Fiscal year ends Dec

Neutral

EVDY,EVDY US

Price: \$17.99

Price Target: \$16.00

United States

Internet

Doug Anmuth ^{AC}

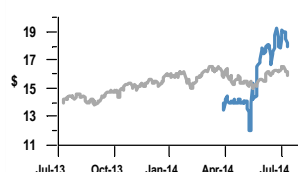
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J.P. Morgan Securities LLC

Price Performance



	YTD	1m	3m	12m
Abs	35.1%	5.0%	35.1%	35.1%
Rel	33.1%	3.2%	30.6%	17.5%

Everyday Health

Thoughts Into 2Q14 Earnings

Projecting Solid 2Q as Healthcare Tailwinds Continue & Partnerships w/ Properties, Brands, Constituents Represent Upside

- We expect in-line results for Everyday Health's 2Q—modeling \$40.9M in total revenue (+9.9% Y/Y) vs. consensus of \$40.8M and guidance of \$40.5M - \$41.0M—driven by continued Advertising revenue strength. We continue to see diversity of advertisers on EVDY condition pages and are encouraged by recent developments such as real-time campaign analytics and optimization capabilities as well as expanded partnership relationships. **We believe the company is making important progress towards key advertiser penetration and believe there is upside potential over time from new and expanding partnerships.** We remain Neutral as we continue to look for greater advertising growth. Our \$16 price target represents ~11.5x 2015E EBITDA, a slight discount to WebMD (WBMD, not covered).
- Expecting solid 2Q results.** We are modeling 2Q revenue of \$40.9M (+9% Y/Y), in-line with consensus and guidance, while tougher comps from 2Q13 and 2H13 may contribute to some of the deceleration from stronger 1Q14 growth of 23%. We expect 2Q revenue to be driven by strength in Advertising and Sponsorship revenue of \$36.1M (+13.4% Y/Y, 88% of total revenue), while the declining Premium Services business continues to shrink as a portion of total results (\$4.8M in revenue, -10.6% Y/Y). We're expecting total advertisers to remain somewhat steady at 168 (from 166 during 1Q14) and revenue per advertiser to grow +25% Y/Y to \$214 as the company continues to work with more brands per advertiser and capture more of their clients' ad budgets. We're modeling 2Q EBITDA of \$6.6M (+65% Y/Y, 16.3% margin), in-line with consensus and guidance. We note that our GAAP EPS estimate of (\$0.26) is impacted by a one-time \$8.1M preferred dividend related to a series G ratchet provision.
- Encouraging progress with properties, brands, and partnerships.** During 2Q, Everyday Health announced new and expanded partnerships, products, and content including: 1) offering a pregnancy tool in conjunction with a University of Notre Dame study; 2) offering a decision support mobile app for oncology as a part of a partnership with CollabRx), and 3) forming a partnership with Randy Jackson to launch a new "Diabetes Step by Step Platform".

Neutral

Company Data

Price (\$)	17.99
Date Of Price	10 Jul 14
52-week Range (\$)	19.89-11.84
Market Cap (\$ mn)	538.80
Fiscal Year End	Dec
Shares O/S (mn)	30
Price Target (\$)	16.00
Price Target End Date	31-Dec-14

Everyday Health, Inc. (EVDY;EVDY US)

FYE Dec	2013A	2014E	2015E	2016E
EPS - Reported (\$)				
Q1 (Mar)	(1.25)	(0.08)	-	-
Q2 (Jun)	(0.42)	0.06	-	-
Q3 (Sep)	(0.61)	0.05	-	-
Q4 (Dec)	0.34	0.38	-	-
FY	(0.14)	0.35	0.74	1.09
Bloomberg EPS FY (\$)	-2.99	0.41	0.77	1.13

Source: Company data, Bloomberg, J.P. Morgan estimates. We note that 1Q13, 2Q13, and 3Q13 quarterly EPS are based on full year 2013 weighted average share counts.

- **What to look for in 2Q14:** **1)** any additional comments on WebMD's lawsuit against Everyday Health. We note Everyday Health's responded to WBMD's claims—EVDY believes the claims do not have merit, that the claims relate to a small portion of EVDY's SEM efforts, and that the related SEM efforts drive a very immaterial portion of EVDY's traffic and revenue. **2)** impact on traffic/engagement from new partnerships and any overall commentary on traffic/engagement trends, especially on mobile; **3)** progress and success of real-time campaign tools to estimate relevancy of audiences and optimized ROI and expectations on how integrating some of the newer technology will help win incremental dollars from client budgets; **4)** upcoming new or expanded partnerships or properties; and **5)** any changes or commentary around healthcare industry trends that are impacting the business.

Maintaining Estimates

We are maintaining estimates, as seen in the table below.

Table 28: J.P. Morgan Estimates vs. Consensus

J.P. Morgan Estimates	2Q14E	3Q14E	4Q14E	2014E	2015E
(\$ in thousands except per share data)					
Total Revenue	40,887	41,541	60,157	180,090	206,985
Y/Y Growth	9.9%	18.5%	13.3%	15.6%	14.9%
Advertising and Sponsorship	36,078	36,914	56,001	161,686	190,790
Y/Y Growth	13.4%	24.5%	16.6%	19.9%	18.0%
Premium Services	4,809	4,626	4,156	18,404	16,196
Y/Y Growth	-10.6%	-14.2%	-17.9%	-12.2%	-12.0%
EBITDA	6,644	6,750	17,777	34,388	45,744
Y/Y Growth	64.9%	102.7%	25.0%	58.2%	33.0%
% Margin	16.3%	16.3%	29.6%	19.1%	22.1%
GAAP EPS	(\$0.26)	\$0.00	\$0.33	(\$0.18)	\$0.55
Y/Y Growth	NM	NM	-54.2%	NM	-405.5%
Non-GAAP EPS	\$0.06	\$0.05	\$0.38	\$0.35	\$0.74
Y/Y Growth	NM	NM	31.2%	NM	114.5%
Consensus					
Total Revenue	40,750	41,350	60,075	179,500	207,250
EBITDA	6,623	6,760	17,667	34,200	44,800
Non-GAAP EPS	\$0.06	\$0.05	\$0.39	\$0.41	\$0.77
Guidance					
Total Revenue	\$40.5M-\$41.0M			\$179.3M-\$180.3M	
Advertising Revenue	\$35.7M-\$36.2M			\$160.9M-\$161.9M	
Premium Revenue	\$4.8M			\$18.4M	
EBITDA	\$6.5M-\$6.7M			\$34.0M-\$34.5M	

Source: J.P. Morgan estimates, Bloomberg.

Investment Thesis, Valuation and Risks

Everyday Health (*Neutral; Price Target: \$16.00*)

Investment Thesis

We believe Everyday Health is well positioned to benefit from key healthcare trends including: 1) consumers taking more control of their healthcare; 2) the shift toward specialty pharma; 3) a reduction in pharma salesforces; & 4) greater need for ROI-driven ad solutions. However, with projected advertising revenue growth <20% this year and next, and overall revenue growth in the mid-teens, we look for deeper penetration w/large pharma & CPG companies and faster growth to become more constructive on the shares.

Valuation

Our \$16 year-end price target is based on ~11.5x 2015E EBITDA, at a slight discount to WebMD (WBMD, not covered), Everyday Health's closest comparable, which currently trades at ~12x 2015E consensus EBITDA. With estimated 19% 2013-15 ad revenue CAGR, and overall revenue growth in the mid-teens, we look for deeper penetration w/large pharma & CPG companies and faster growth to become more constructive on the shares.

Risks to Rating and Price Target

Upside Risks:

We highlight that potential upside to our estimates from core or newer business acceleration could be driven by:

- 1) Deeper industry recognition of attribution and ROI metrics leading to greater ad budget toward EVDY;
- 2) Ramp in revenue from Mayo Clinic or other partnerships in which EVDY licenses digital health management platforms;
- 3) Ad platform growth including off-network advertising solutions enhanced by EVDY's proprietary consumer information.

Downside Risks:

- 1) Everyday Health is still building brand recognition among consumers and investors. WebMD (WBMD, Not Covered)—the company investors will likely most often compare to EVDY—currently reaches a broader audience (WBMD reports more than 100M UVs), but we believe WBMD users are not logged in as frequently as those on EVDY and do not share as much personal health information with the company.
- 2) Top 30 advertisers are 80% of spend and going higher—and we expect growth within EVDY's ad business to come from deeper penetration with existing clients as the number of total advertisers remains flattish.
- 3) Ad revenue growth in line with industry.

Everyday Health: Summary of Financials

Income Statement - Annual	FY13A	FY14E	FY15E	FY16E	Income Statement - Quarterly	1Q14E	2Q14E	3Q14E	4Q14E
Gross Revenues	-	-	-	-	Gross Revenues	-	-	-	-
Revenues	155,850	180,090	206,985	238,087	Revenues	37,505	40,887	41,541	60,157
Operating income	(3,094)	12,633	22,768	35,475	Operating income	(1,493)	1,084	1,101	11,941
D&A	16,082	15,112	15,938	16,190	D&A	3,558	3,721	3,863	3,970
EBITDA	12,356	27,745	38,706	51,665	EBITDA	2,065	4,804	4,964	15,912
Net interest income / (expense)	-	-	-	-	Net interest income / (expense)	-	-	-	-
Other income / (expense)	(8,801)	(16,276)	(2,500)	(2,360)	Other income / (expense)	(5,977)	(8,869)	(785)	(645)
Pretax income	(11,895)	(3,643)	20,268	33,115	Pretax income	(7,470)	(7,785)	316	11,296
Income taxes	(1,102)	(1,106)	(1,257)	(1,590)	Income taxes	(289)	(260)	(277)	(280)
Net Income	(18,236)	(4,749)	19,012	31,525	Net Income	(7,759)	(8,045)	39	11,016
Weighted average diluted shares	24	32	35	36	Weighted average diluted shares	30	33	33	34
Diluted EPS	(0.14)	0.35	0.74	1.09	Diluted EPS	(0.08)	0.06	0.05	0.38
Balance Sheet and Cash Flow Data	FY13A	FY14E	FY15E	FY16E	Ratio Analysis	FY13A	FY14E	FY15E	FY16E
Cash and cash equivalents	16,742	58,833	82,254	117,345	Sales growth	12.5%	15.6%	14.9%	15.0%
Accounts receivable	49,373	58,954	70,375	83,330	EBITDA growth	192.6%	58.2%	33.0%	29.6%
Other current assets	7,455	8,429	7,377	7,276	EPS growth	(95.0%)	(356.4%)	110.5%	47.0%
Current assets	73,570	126,216	160,006	207,951	EBITDA margin	14.0%	19.1%	22.1%	24.9%
PP&E	21,095	20,890	19,442	18,727	Net margin	(2.1%)	6.3%	12.4%	16.3%
Total assets	192,282	243,360	275,701	322,931	Debt / EBITDA	3.3	1.2	0.9	0.7
Total debt	71,333	40,000	40,000	40,000	Return on assets (ROA)	(1.7%)	5.2%	9.9%	13.0%
Total liabilities	282,251	98,188	104,480	112,567	Return on equity (ROE)	3.9%	41.3%	16.2%	20.3%
Shareholders' equity	(89,969)	145,172	171,221	210,365	Enterprise value / EBITDA	9.8	NM	NM	NM
Net Income (including charges)	(12,997)	(4,749)	19,012	31,525	Enterprise value / Free cash flow	NM	NM	NM	NM
D&A	16,082	15,112	15,938	16,190	P/E	NM	NM	32.7	20.3
Change in working capital	(4,063)	(4,442)	(4,077)	(4,767)					
Other	-	-	-	-					
Cash flow from operations	1,672	17,106	37,910	50,567					
Capex	(10,654)	(14,170)	(14,489)	(15,476)					
Free cash flow	(8,982)	2,936	23,421	35,091					
Cash flow from investing activities	(17,507)	(14,013)	(14,489)	(15,476)					
Cash flow from financing activities	8,189	39,498	0	0					
Dividends	-	-	-	-					
Dividend yield	-	-	-	-					

Source: Company reports and J.P. Morgan estimates.

Note: \$ in thousands (except per-share data). Fiscal year ends Dec

Overweight

CRCM,CRCM US

Price: \$11.19

Price Target: \$20.00

United States

Internet

Doug Anmuth ^{AC}

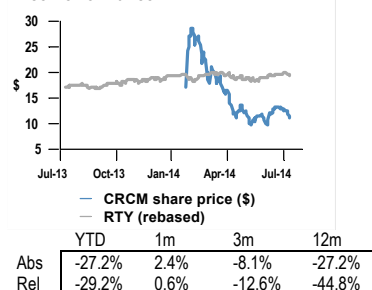
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J.P. Morgan Securities LLC

Price Performance



Care.com

Thoughts Into 2Q14 Earnings

Expecting in-line 2Q Driven by Continued Consumer Matching Strength & Payments Progress; Look for Marketing Efficiency

- Care.com will report 2Q results on Thursday, July 31 before the market opens, with a conference call at 8:00am EST (dial-in: (877) 407-4018, conference ID# 13586631 or webcasted at <http://investors.care.com>.) We expect an in-line second quarter driven by continued growth across the Consumer Matching and Payments businesses, including increasing individual and enterprise (employer benefits) accounts and adoption of payments offerings following recent cross-product marketing campaigns. We expect the company to provide updates on engagement, including on mobile devices, expansion of the enterprise employer solutions offering, international progress, and any enhancements to the user experience or new/upcoming services. We believe the risk/reward remains attractive at current levels and maintain our Overweight rating and \$20 price target.
- Modeling an in-line 2Q driven by Consumer Matching strength.** We expect 2Q revenue of \$26.0M (+35.9% Y/Y) in-line with consensus of \$26.0M and guidance of \$25.5M-\$26.2M. We model total revenue to be driven by \$19.3M (+32.2% Y/Y) of Consumer Matching revenue, \$3.4M (+37.9% Y/Y) of Payments revenue, and \$3.3M (+60.0% Y/Y) of Other revenue. Given continued heavy investments in sales and marketing (expecting \$18.2M, 70% of revenue) and ongoing user experience and product development enhancements, we're modeling (\$6.6M) in EBITDA, down from (\$3.6M) in 2Q13 in-line with consensus of (\$6.6M) and guidance of (\$7.0M)-(\$6.0M).
- Starting to see some expansion of non-child care job postings.** Under the assumption that increased penetration of newer verticals outside of child care could significantly expand Care.com's addressable market, we have been tracking job postings by type of care across 10 US cities. We have noticed an average growth in total job postings of 9% since the end of January (around the time of CRCM's IPO) and we believe this level of growth suggests some success from marketing campaigns in top US cities. Additionally, we are encouraged by the 17% average growth (off a much smaller base as childcare represents ~80% of total job postings) in non-child care job postings across these 10 cities since the end of January, suggesting Care.com is starting to penetrate deeper in verticals such as senior care and pet care. We note that both senior care and pet

Overweight

Company Data	
Price (\$)	11.19
Date Of Price	10 Jul 14
52-week Range (\$)	29.25-9.57
Market Cap (\$ mn)	350.16
Fiscal Year End	Dec
Shares O/S (mn)	31
Price Target (\$)	20.00
Price Target End Date	31-Dec-14

Care.com, Inc. (CRCM;CRCM US)

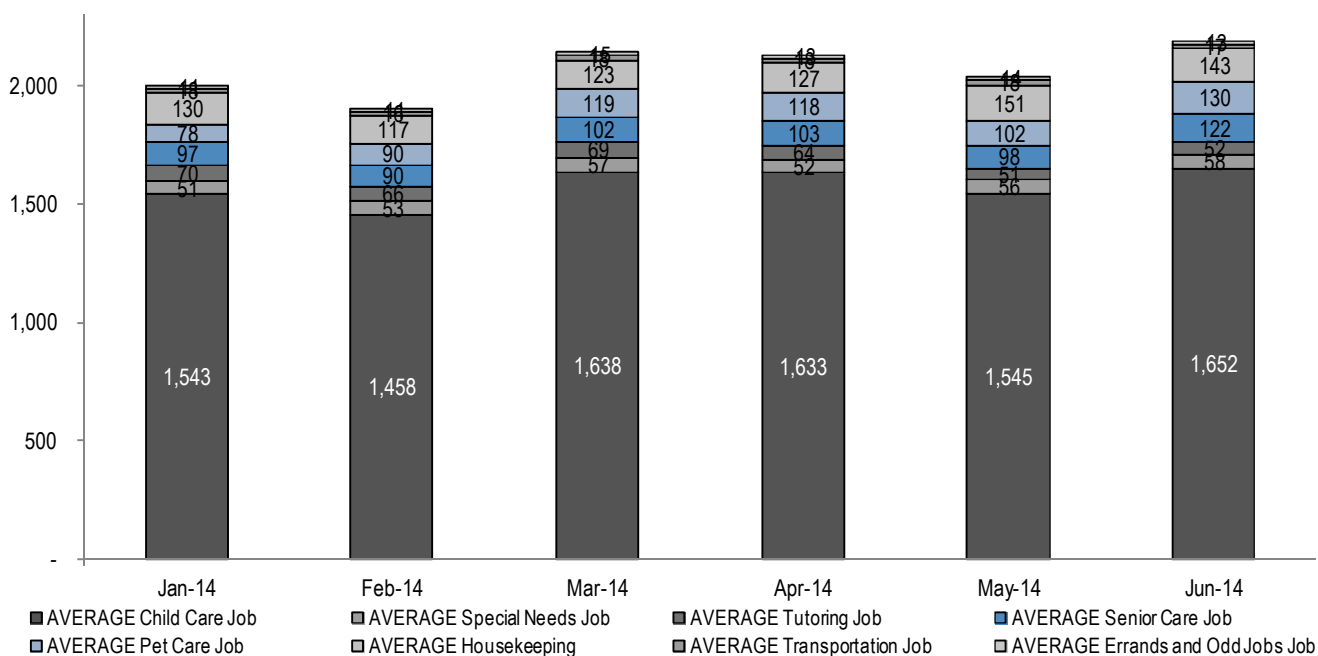
FYE Dec	2012A	2013A	2014E	2015E
EPS - Reported (\$)				
Q1 (Mar)	(2.37)	(2.16)	(0.51)A	-
Q2 (Jun)	(1.15)	(1.89)	(0.25)	-
Q3 (Sep)	(2.24)	(0.42)	(0.30)	-
Q4 (Dec)	(0.75)	(0.10)	0.03	-
FY	(6.89)	(1.80)	(0.95)	(0.22)
Bloomberg EPS FY (\$)	-7.49	-10.41	-1.22	-0.26

Source: Company data, Bloomberg, J.P. Morgan estimates.

care represent highly attractive markets for Care.com considering: **1)** data from the 2010 US census suggests there are now more households with dogs (43M) than children (38M); **2)** The American Pet Products Association estimates ~\$4.1B+ is spent annually on pet services such as pet sitting and dog walking; and **3)** According to the Bureau of Labor Statistics (BLS), employment of home health aides is projected to grow 48% from 2012 to 1.3M in 2022—much faster than the average growth of all occupations—largely in part to the aging baby-boomer population.

Figure 2: Care.com Job Posting Tracker

Job Postings in and around 10 major US cities



Source: Care.com. Note: Cities included: Washington D.C.; Boston, MA; New York, NY; San Francisco, CA; Los Angeles, CA; Philadelphia, PA; Miami, FL; Seattle, WA; Houston, TX; Phoenix, AZ

- **What to look for:** **1)** comments around trends of reuse rate (CRCM estimates the reuse rate of its latest cohorts is over 60%) and length of stay (CRCM estimates average length of paid time for 2010 cohort increased to 7.7 months from 6.9 months a year ago); **2)** effectiveness of marketing campaigns (we estimate sales & marketing represents 67% of revenue in 2014, and expect more leverage in 2015 and beyond), in particular cross-product campaigns promoting payment services; **3)** investment priorities including mobile, enhanced functionality, potential additions of payments products for different price-points; **4)** expansion of employer benefits offering to more clients and covering more services; **5)** international progress including brand awareness, member growth, platform integrations; and **6)** outlook for eventual monetization of Big Tents assets beyond cross-marketing.

Maintaining Estimates

We are maintaining our estimates, as shown in the table below.

Table 29: J.P. Morgan Estimates vs. Consensus

J.P. Morgan Estimates	2Q14E	3Q14E	4Q14E	2014E	2015E
(\$ in millions except per share data)					
Total Revenue	26.0	29.4	30.7	111.3	147.3
Y/Y Growth	35.9%	35.5%	36.2%	36.6%	32.4%
Consumer Matching Revenue	19.3	22.0	23.0	82.4	104.9
Y/Y Growth	32.2%	32.5%	33.0%	33.6%	27.3%
Payments Revenue	3.4	3.7	3.8	15.0	20.3
Y/Y Growth	37.9%	41.8%	40.9%	39.2%	35.2%
Other Revenue	3.3	3.7	3.8	13.9	22.1
Y/Y Growth	60.0%	49.0%	53.0%	53.9%	59.0%
EBITDA	(6.6)	(8.4)	2.4	(22.2)	(2.1)
Y/Y Growth	N/A	N/A	N/A	N/A	N/A
% Margin	-25.3%	-28.5%	7.7%	-20.0%	-1.4%
GAAP EPS	(\$0.28)	(\$0.34)	(\$0.01)	(\$1.22)	(\$0.31)
Y/Y Growth	N/A	N/A	N/A	N/A	N/A
Non-GAAP EPS	(\$0.25)	(\$0.30)	\$0.03	(\$0.95)	(\$0.22)
Y/Y Growth	N/A	N/A	N/A	N/A	N/A
Consensus					
Total Revenue	26.0	29.4	30.6	111.0	147.5
EBITDA	(6.6)	(8.3)	2.3	(22.2)	(1.1)
PF EPS	(\$0.32)	(\$0.33)	\$0.00	(\$1.22)	(\$0.26)
GAAP EPS	(\$0.33)	(\$0.35)	(\$0.02)	(\$1.35)	(\$0.30)
Guidance					
Revenue	\$25.5M-\$26.2M			\$109M-\$112M	
PF EPS	(\$0.28)-(\$0.23)			(\$1.00)-(\$0.90)	
EBITDA	(\$7.0M)-(\$6.0M)			(\$23M)-(\$20M)	

Source: J.P. Morgan estimates, Bloomberg.

Investment Thesis, Valuation and Risks

Care.com (*Overweight; Price Target: \$20.00*)

Investment Thesis

We believe Care.com is bringing efficiency and scalability to a sizable and largely offline market with material runway to further penetrate within the US and internationally. As the leading global care platform, Care.com is also well positioned to capitalize on parallel opportunities in payments and marketing services. We believe Care.com benefits from multiple growth drivers and should be increasingly scalable over time.

Valuation

Our \$20 December 2014 price target is based on our DCF analysis through 2020, which assumes a 10.5% cost of capital, 3.5% terminal growth rate, and 15x terminal EBITDA multiple. Key drivers of our DCF projections include a 2013-20E revenue CAGR of 25%. We estimate adjusted EBITDA turns positive in 2016, with a 2016-20E CAGR of 85% (90% previously). Our \$20 price target implies 4.7x 2014E Revenue of \$111M and 4.0x 2015E Revenue of \$147M.

Risks to Rating and Price Target

Downside Risks: **1)** If Care.com is unable to maintain its current rate of growth in adding paying subscribers given average length of stay <1yr; **2)** If the company's timeline to profitability becomes longer than expected given aggressive investments in sales and marketing, and new products and features; and **3)** Individual behavior could negatively impact broader member trust with brand.

Care.com: Summary of Financials

Income Statement - Annual	FY13A	FY14E	FY15E	FY16E	Income Statement - Quarterly	1Q14A	2Q14E	3Q14E	4Q14E
Gross Revenues	-	-	-	-	Gross Revenues	-	-	-	-
Revenues	81,487	111,310	147,330	188,387	Revenues	25,271A	25,994	29,388	30,656
Operating income	(27,651)	(32,911)	(9,942)	(6,468)	Operating income	(12,313)A	(9,150)	(11,050)	(399)
D&A	6,702	5,727	4,862	6,028	D&A	1,261A	1,404	1,499	1,563
EBITDA	(23,264)	(27,464)	(5,230)	(590)	EBITDA	(11,245)A	(7,772)	(9,580)	1,134
Net interest income / (expense)	-	-	-	-	Net interest income / (expense)	-	-	-	-
Other income / (expense)	(291)	(2,746)	(200)	0	Other income / (expense)	(2,746)A	0	0	0
Pretax income	(27,942)	(35,657)	(10,142)	(6,468)	Pretax income	(15,059)A	(9,150)	(11,050)	(399)
Income taxes	(354)	257	0	0	Income taxes	(485)A	329	398	14
Net Income	(28,296)	(35,401)	(10,142)	(6,468)	Net Income	(15,544)A	(8,821)	(10,652)	(384)
Weighted average diluted shares	14	29	33	34	Weighted average diluted shares	22A	31	31	32
Diluted EPS	(1.80)	(0.95)	(0.22)	(0.02)	Diluted EPS	(0.51)A	(0.25)	(0.30)	0.03
Balance Sheet and Cash Flow Data	FY13A	FY14E	FY15E	FY16E	Ratio Analysis	FY13A	FY14E	FY15E	FY16E
Cash and cash equivalents	29,959	100,003	99,481	106,369	Sales growth	68.0%	36.6%	32.4%	27.9%
Accounts receivable	4,086	3,862	5,112	6,537	EBITDA growth	22.7%	18.1%	(81.0%)	(88.7%)
Other current assets	1,977	1,820	2,409	3,080	EPS growth	(73.9%)	(47.1%)	(77.0%)	(89.1%)
Current assets	36,022	105,685	107,002	115,986	EBITDA margin	(28.5%)	(24.7%)	(3.6%)	(0.3%)
PP&E	1,553	2,477	4,633	7,308	Net margin	(30.1%)	(24.8%)	(4.9%)	(0.4%)
Total assets	113,829	182,261	185,734	197,393	Debt / EBITDA	NM	NM	NM	NM
Total debt	20,790	16,970	22,462	28,722	Return on assets (ROA)	(20.2%)	(18.6%)	(3.9%)	(0.4%)
Total liabilities	182,135	21,866	28,316	35,667	Return on equity (ROE)	44.0%	(59.9%)	(4.5%)	(0.5%)
Shareholders' equity	(68,306)	160,395	157,418	161,726	Enterprise value / EBITDA	NM	3.0	14.7	131.0
Net Income (including charges)	(28,296)	(35,401)	(10,142)	(6,468)	Enterprise value / Free cash flow	NM	3.3	146.8	NM
D&A	6,702	5,727	4,862	6,028	P/E	NM	NM	NM	NM
Change in working capital	5,330	635	4,611	5,255					
Other	2,146	5,055	2,947	5,652					
Cash flow from operations	(12,661)	(23,305)	2,277	10,467					
Capex	(1,420)	(1,763)	(2,799)	(3,579)					
Free cash flow	(14,081)	(25,068)	(522)	6,888					
Cash flow from investing activities	(1,818)	(2,338)	(2,799)	(3,579)					
Cash flow from financing activities	(253)	93,554	0	0					
Dividends	-	-	-	-					
Dividend yield	-	-	-	-					

Source: Company reports and J.P. Morgan estimates.

Note: \$ in thousands (except per-share data). Fiscal year ends Dec

Neutral

RLOC,RLOC US

Price: \$7.00

Price Target: \$8.00

United States

Internet

Doug Anmuth ^{AC}

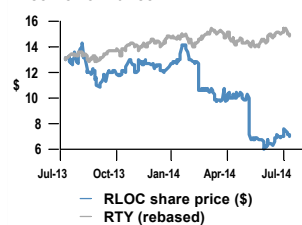
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J.P. Morgan Securities LLC

Price Performance



	YTD	1m	3m	12m
Abs	-43.1%	12.9%	-27.6%	-44.8%
Rel	-45.1%	11.1%	-32.1%	-62.4%

ReachLocal

Thoughts Into 2Q14 Earnings

Expecting a Sluggish 2Q Given Salesforce Realignment; Believe Benefits & Newer Products Help Return to Growth by 4Q

- When ReachLocal reports 2Q results, we expect continued pressure on revenue from the North America salesforce realignment as well as increased expenses weighing on profitability. We expect an update from management on the salesforce transformation progress as well as a more refined timeline on the company's ability to return to growth. We believe product bundles to address holistic marketing needs of premium SMBs and a refocus on core clients and core products will ultimately lead to better client experiences and stickier revenue with lower churn. However, we believe that the current realignment of the North American salesforce and country-specific issues in Europe limit visibility in the near-to-medium term, so we remain Neutral on ReachLocal.
- Expecting Y/Y declines in 2Q revenue as North America IMC transition continues.** We're modeling 2Q14 revenue of \$122.4M (-3.4% Y/Y), in-line with consensus of \$122.8M and towards the mid-point of guidance of \$120M-\$125M as management pushes forward on transition initiatives such as improvements to hiring, training, and goal-setting. We note that in February during the company's 4Q13 earnings call, ReachLocal announced it was realigning its North America distribution organization by shifting its Internet Marketing Consultant (IMC) model towards a new-business-acquisition (hunter) and relationship-management (gatherer) model. We believe that in the near term, visibility will be difficult, compounded by increased costs and isolated international market challenges (UK and Germany). We're expecting EBITDA of (\$1.9M), in-line with consensus of (\$1.8M) and within the guidance of (\$5M)-\$0M, given higher Sales and Marketing costs, which are driven by material shift in its recruitment and training processes.
- New products and pockets of Int'l strength to help offset N. America weakness.** We expect newer products like ReachEdge, ReachSEO, ReachCommerce as well as product bundles to continue to gain traction with clients seeking holistic solutions across search, display and social media. We believe comprehensive solutions can be valuable to the company's target customers—premium SMBs generating \$1-10M in revenue and spending ~\$40k/yr on digital—as these companies have little time to manage multiple marketing strategies or vendors. We also note that if ReachLocal is successful in cross-selling or up-selling incremental products to new and existing customers,

Neutral

Company Data

Price (\$)	7.00
Date Of Price	10 Jul 14
52-week Range (\$)	14.45-5.87
Market Cap (\$ mn)	202.45
Fiscal Year End	Dec
Shares O/S (mn)	29
Price Target (\$)	8.00
Price Target End Date	31-Dec-14

ReachLocal, Inc. (RLOC;RLOC US)

FYE Dec	2012A	2013A	2014E	2015E
EPS - Reported (\$)				
Q1 (Mar)	0.35	0.13	(0.07)A	-
Q2 (Jun)	0.14	0.11	(0.44)	-
Q3 (Sep)	0.19	0.12	(0.30)	-
Q4 (Dec)	0.15	0.05	(0.23)	-
FY	0.85	0.42	(1.03)	(0.09)
Bloomberg EPS FY (\$)	0.37	0.42	-0.85	0.18

Source: Company data, Bloomberg, J.P. Morgan estimates.

we believe customer churn may benefit as switching costs start to rise. We believe ReachLocal will allocate significant product development resources towards improving the ReachEdge platform to improve customer ROI and overall experience with ReachLocal.

- **What to look for:** 1) update on expected transition timeline for North America Salesforce realignment and when management expects to return to growth; 2) progress towards addressing country-specific issues in UK and Germany; 3) success and adoption of new products ReachEdge, ReachSEO, ReachCommerce as well as product bundles; and 4) investment priorities including refining newer products, salesforce initiatives such as training and more refined hiring processes.

Maintaining Estimates

We are maintaining our estimates, as shown in the table below.

Table 30: J.P. Morgan Estimates vs. Consensus

J.P. Morgan Estimates	2Q14E	3Q14E	4Q14E	2014E	2015E
(\$ in Millions, except per share data)					
Total Revenue	122.4	129.3	138.1	514.6	574.2
Y/Y Growth	-3.4%	-2.6%	3.9%	0.1%	11.6%
Local Revenue	94.9	99.4	107.6	402.8	452.2
Y/Y Growth	-6.1%	-6.1%	1.6%	-1.8%	12.3%
NBAR	27.5	29.9	30.4	114.0	122.0
Y/Y Growth	7.0%	11.0%	13.0%	9.8%	7.0%
Adjusted EBITDA	(1.9)	0.8	2.3	3.4	27.7
Y/Y Growth	NM	-91.7%	-61.1%	-89.5%	707.7%
% Margin	-1.6%	0.6%	1.7%	0.7%	4.8%
PF EPS	(\$0.44)	(\$0.30)	(\$0.23)	(\$1.03)	(\$0.09)
Y/Y Growth	NM	NM	NM	NM	NM
Consensus					
Total Revenue	122.8	127.2	131.3	506.2	552.2
Adjusted EBITDA	(1.8)	0.5	2.2	2.8	22.9
PF EPS	(\$0.39)	(\$0.30)	(\$0.08)	(\$0.85)	\$0.18
Guidance					
Total Revenue	\$120M-\$125M			\$500M-\$525M	
Adjusted EBITDA	(\$5M)-\$0M			\$2M-\$5M	

Source: J.P. Morgan estimates, Bloomberg.

Investment Thesis, Valuation and Risks

ReachLocal (Neutral; Price Target: \$8.00)

Investment Thesis

We believe ReachLocal is well positioned in the local online ad market and has shown strong trends in international growth. However, visibility becomes increasingly difficult in the near-term given the salesforce realignment in North America, compounded by increased costs and isolated international market challenges (UK and Germany).

Valuation

Neutral rating, PT of \$8. Our year-end 2014 PT of \$8 is based on ~6x our 2015E EBITDA estimate of \$28M. We estimate 2013-2016 CAGRs of 7% for revenue and 10% for EBITDA.

Risks to Rating and Price Target

Downside risks include: the company failing to adequately recruit, train, and retain its internet marketing consultants; Google and, to a lesser extent, MSN et al, taking actions that are adverse to the company's interests; SMBs increasingly opting to perform advertising tasks on their own or go directly to Internet search engines and

publishers; the company failing to increase the number of its clients or to retain existing SMB clients; the company being unable to maintain relationships with its national brands, agencies, or resellers; the pricing of the advertising media that the company purchases on behalf of its clients rising faster than expected, putting pressure on profitability; the economic situation worsening, jeopardizing the ability of ReachLocal's clients to increase or maintain advertising spend.

ReachLocal: Summary of Financials

Income Statement - Annual	FY13A	FY14E	FY15E	FY16E	Income Statement - Quarterly	1Q14A	2Q14E	3Q14E	4Q14E
Revenues	514	515	574	633	Revenues	125A	122	129	138
Operating income	(9)	(52)	(32)	(21)	Operating income	(11)A	(16)	(13)	(12)
D&A	15	18	22	24	D&A	4A	5	4	4
EBITDA	6	(34)	(10)	3	EBITDA	(7)A	(12)	(9)	(7)
Net interest income / (expense)	-	-	-	-	Net interest income / (expense)	-	-	-	-
Other income / (expense)	16	18	23	25	Other income / (expense)	4A	5	5	4
Pretax income	7	(33)	(9)	3	Pretax income	(6)A	(11)	(8)	(7)
Income taxes	(4)	(8)	(4)	1	Income taxes	2A	(4)	(3)	(3)
Net Income	(2)	(41)	(13)	4	Net Income	(4)A	(16)	(12)	(10)
Weighted average diluted shares	28	28	29	30	Weighted average diluted shares	28A	28	28	28
Diluted EPS	0.42	(1.03)	(0.09)	0.54	Diluted EPS	(0.07)A	(0.44)	(0.30)	(0.23)
Balance Sheet and Cash Flow Data	FY13A	FY14E	FY15E	FY16E	Ratio Analysis	FY13A	FY14E	FY15E	FY16E
Cash and cash equivalents	78	56	72	109	Sales growth	13.0%	0.1%	11.6%	10.3%
Accounts receivable	10	10	10	10	EBITDA growth	(11.5%)	(89.5%)	707.7%	57.1%
Other current assets	10	10	11	13	EPS growth	(51.0%)	(347.5%)	(91.7%)	(727.7%)
Current assets	97	77	94	131	EBITDA margin	6.4%	0.7%	4.8%	6.9%
PP&E	13	10	6	1	Net margin	2.3%	(5.6%)	(0.4%)	2.5%
Total assets	183	155	168	199	Debt / EBITDA	1.5	8.8	1.2	0.8
Total debt	48	30	32	34	Return on assets (ROA)	6.5%	(17.2%)	(1.5%)	8.6%
Total liabilities	106	92	103	114	Return on equity (ROE)	14.8%	(41.0%)	(3.9%)	21.1%
Shareholders' equity	78	63	64	85	Enterprise value / EBITDA	7.9	76.7	9.0	4.9
Net Income (including charges)	(2)	(43)	(13)	4	Enterprise value / Free cash flow	38.1	NM	15.4	5.9
D&A	15	18	22	24	P/E	NM	NM	NM	49.5
Change in working capital	0	(2)	9	10					
Other	-	-	-	-					
Cash flow from operations	27	(8)	33	55					
Capex	(20)	(16)	(17)	(19)					
Free cash flow	7	(24)	16	36					
Cash flow from investing activities	(24)	(18)	(17)	(19)					
Cash flow from financing activities	(11)	6	0	0					
Dividends	-	-	-	-					
Dividend yield	-	-	-	-					

Source: Company reports and J.P. Morgan estimates.

Note: \$ in millions (except per-share data). Fiscal year ends Dec

Financial Models

Figure 3: Google Income Statement

	2012A	3/13A	6/13A	9/13A	12/13A	2013A	3/14A	6/14E	9/14E	12/14E	2014E	2015E	2016E
Gross Revenues	\$46,040.0	\$12,951.0	\$13,107.0	\$13,772.0	\$15,720.0	\$55,550.0	\$15,420.0	\$15,663.5	\$16,393.7	\$18,600.6	\$66,077.8	\$77,507.6	\$88,788.0
Traffic Acquisition Costs (TAC)	\$10,960.0	\$2,962.0	\$3,013.0	\$2,972.0	\$3,310.0	\$12,257.0	\$3,232.0	\$3,361.2	\$3,390.8	\$3,858.7	\$13,842.7	\$15,673.0	\$17,439.3
Net Revenues excluding TAC	\$35,080.0	9,989.0	10,094.0	10,800.0	12,410.0	43,293.0	12,188.0	12,302.3	13,002.9	14,741.9	52,235.1	61,834.5	71,348.7
Other cost of revenues	5,856.0	2,075.0	2,072.0	2,304.0	2,816.0	9,267.0	2,634.0	2,632.7	2,808.6	3,316.9	11,392.2	13,095.4	15,110.4
Gross profit	29,224.0	7,914.0	8,022.0	8,496.0	9,594.0	34,026.0	9,554.0	9,669.6	10,194.3	11,425.0	40,842.8	48,739.2	56,238.3
Operating expenses													
Research & development	4,809.0	1,279.0	1,365.0	1,385.0	1,467.0	5,496.0	1,670.0	1,734.6	1,755.4	1,901.7	7,061.7	8,100.3	9,132.6
Sales & marketing	5,017.0	1,317.0	1,458.0	1,473.0	1,754.0	6,002.0	1,582.0	1,783.8	1,820.4	2,093.3	7,279.6	8,595.0	9,632.1
General & administrative	3,090.0	915.0	991.0	1,003.0	1,058.0	3,967.0	1,348.0	1,254.8	1,300.3	1,238.3	5,141.4	5,812.4	6,414.8
Stock compensation expense	2,473.0	655.0	743.0	856.0	873.0	3,127.0	839.0	922.7	975.2	1,105.6	3,842.5	4,328.4	4,775.5
Total operating expenses	15,389.0	4,166.0	4,557.0	4,717.0	5,152.0	18,592.0	5,439.0	5,695.9	5,851.3	6,339.0	23,325.3	26,836.2	29,954.9
Operating income	13,835.0	3,748.0	3,465.0	3,779.0	4,442.0	15,434.0	4,115.0	3,973.6	4,343.0	5,086.0	17,517.6	21,903.0	26,283.4
PF Operating income	16,308.0	4,403.0	4,292.0	4,647.0	5,315.0	18,657.0	4,954.0	4,896.3	5,318.2	6,191.6	21,360.1	26,231.4	31,058.8
Other income, expense and other, net	625.0	134.0	247.0	24.0	125.0	530.0	357.0	168.8	204.1	223.3	953.1	1,380.6	1,869.1
One-time items	-	-	-	-	-	-	-	-	-	-	-	-	-
Income before taxes	14,460.0	3,882.0	3,712.0	3,803.0	4,567.0	15,964.0	4,472.0	4,142.4	4,547.1	5,309.2	18,470.7	23,283.6	28,152.5
Provision for income taxes	2,589.0	354.0	816.0	513.0	666.0	2,349.0	822.0	787.1	863.9	1,008.8	3,481.7	4,307.5	5,208.2
Effective tax rate	17.9%	9.1%	22.0%	13.5%	14.6%	14.7%	18.4%	19.0%	19.0%	19.0%	18.9%	18.5%	18.5%
Discontinued Operations - Motorola	(1,077.0)	(182.0)	332.0	(302.0)	(512.0)	(664.0)	(198.0)	-	-	-	-	-	-
GAAP Net Income (loss)	10,794.0	3,346.0	3,228.0	2,988.0	3,389.0	12,951.0	3,452.0	3,355.3	3,683.1	4,300.5	14,988.9	18,976.2	22,944.3
GAAP Diluted Income (loss) per share	\$16.24	\$4.97	\$4.77	\$4.40	\$4.97	\$19.11	\$5.04	\$4.89	\$5.35	\$6.21	\$21.78	\$27.20	\$32.42
Diluted shares outstanding	664.6	673.3	676.7	678.5	682.0	677.6	685.2	686.7	688.5	692.0	688.1	697.6	707.6
Non-recurring items:													
Stock compensation expense	2,473.0	655.0	778.0	886.0	917.0	3,236.0	839.0	922.7	975.2	1,105.6	3,842.5	4,328.4	4,775.5
One-time items	-	-	-	-	-	-	-	-	-	-	-	-	-
Tax Effect	(752.0)	(141.0)	(99.0)	(198.0)	(202.0)	(640.0)	(190.0)	(175.3)	(185.3)	(210.1)	(760.7)	(800.8)	(883.5)
Discontinued Operations - Motorola	1,077.0	182.0	(332.0)	302.0	512.0	664.0	198.0	-	-	-	198.0	-	-
PF Net Income (loss)	13,592.0	4,042.0	3,575.0	3,978.0	4,616.0	16,211.0	4,299.0	4,102.7	4,473.1	5,196.0	18,268.8	22,503.8	26,836.2
PF Diluted Income (loss) per share	\$20.45	\$6.00	\$5.28	\$5.86	\$6.77	\$23.92	\$6.27	\$5.97	\$6.50	\$7.51	\$26.55	\$32.26	\$37.92
Diluted shares outstanding	664.6	673.3	676.7	678.5	682.0	677.6	685.2	686.7	688.5	692.0	688.1	697.6	707.6
EBITDA Reconciliation													
Operating income (reported)	13,835.0	3,748.0	3,465.0	3,779.0	4,442.0	15,434.0	4,115.0	3,973.6	4,343.0	5,086.0	17,517.6	21,903.0	26,283.4
Depreciation & amortization	2,962.0	899.0	1,030.0	974.0	1,036.0	3,939.0	1,086.0	1,190.8	1,213.7	1,242.8	4,733.3	5,199.6	5,633.0
Stock compensation expense	2,473.0	655.0	743.0	856.0	873.0	3,127.0	839.0	922.7	975.2	1,105.6	3,842.5	4,328.4	4,775.5
EBITDA	19,270.0	5,302.0	5,238.0	5,609.0	6,351.0	22,500.0	6,040.0	6,087.1	6,531.9	7,434.4	26,093.4	31,431.0	36,691.8
Year/Year Growth													
Gross Revenues	21.5%	21.7%	19.5%	19.5%	21.8%	20.7%	19.1%	19.5%	19.0%	18.3%	19.0%	17.3%	14.6%
Traffic Acquisition Costs (TAC)	24.4%	18.0%	15.9%	7.3%	7.5%	11.8%	9.1%	11.6%	14.1%	16.6%	12.9%	13.2%	11.3%
Net Revenues	20.6%	22.8%	20.7%	23.3%	26.3%	23.4%	22.0%	21.9%	20.4%	18.8%	20.7%	18.4%	15.4%
Gross profit	17.1%	14.2%	13.6%	18.2%	19.3%	16.4%	20.7%	20.5%	20.0%	19.1%	20.0%	19.3%	15.4%
Research & development	17.3%	12.0%	17.4%	16.4%	11.6%	14.3%	30.6%	27.1%	26.7%	29.6%	28.5%	14.7%	12.7%
Sales & marketing	18.7%	12.4%	23.0%	17.0%	25.2%	19.6%	20.1%	22.3%	23.6%	19.3%	21.3%	18.1%	12.1%
General & administrative	27.6%	36.4%	36.5%	27.1%	17.0%	28.4%	47.3%	26.6%	29.6%	17.0%	29.6%	13.1%	10.4%
Total operating expenses	20.9%	17.7%	25.7%	20.1%	19.9%	20.8%	30.6%	25.0%	24.0%	23.0%	25.5%	15.1%	11.6%
Total cash operating expenses	21.3%	27.4%	31.0%	30.5%	36.2%	31.5%	31.2%	28.0%	24.7%	20.6%	25.7%	16.3%	14.0%
Operating income	13.0%	10.6%	0.8%	15.8%	18.5%	11.6%	9.8%	14.7%	14.9%	14.5%	13.5%	25.0%	20.0%
PF Operating income	14.7%	11.6%	7.6%	17.6%	20.1%	14.4%	12.5%	14.1%	14.4%	16.5%	14.5%	22.8%	18.4%
EBITDA	19.9%	19.0%	12.5%	17.4%	18.1%	16.8%	13.9%	16.2%	16.5%	17.1%	16.0%	20.5%	16.7%
GAAP EPS	-45.4%	13.5%	4.6%	8.6%	14.6%	17.7%	1.4%	2.4%	21.5%	25.1%	14.0%	24.9%	19.2%
PF EPS	-43.3%	19.1%	3.3%	23.7%	21.9%	17.0%	4.5%	13.1%	10.8%	10.9%	11.0%	21.5%	17.6%
Sequential Growth													
Gross revenues		0.4%	1.2%	5.1%	14.1%		-1.9%	1.6%	4.7%	13.5%			
Traffic Acquisition Costs (TAC)		-3.6%	1.7%	-1.4%	11.4%		-2.4%	4.0%	0.9%	13.8%			
Net revenues		1.7%	1.1%	7.0%	14.9%		-1.8%	0.9%	5.7%	13.4%			
EBITDA		-1.4%	-1.2%	7.1%	13.2%		-4.9%	0.8%	7.3%	13.8%			
% of Net Revenues													
Other cost of revenues (non-TAC)	16.7%	20.8%	20.5%	21.3%	22.7%	21.4%	21.6%	21.4%	21.6%	22.5%	21.8%	21.2%	21.2%
Research & development	13.7%	12.8%	13.5%	12.8%	11.8%	12.7%	13.7%	14.1%	13.5%	12.9%	13.5%	13.1%	12.8%
Sales & marketing	14.3%	13.2%	14.4%	13.6%	14.1%	13.9%	13.0%	14.5%	14.0%	14.2%	13.9%	13.9%	13.5%
General & administrative	8.8%	9.2%	9.8%	9.3%	8.5%	9.2%	11.1%	10.2%	10.0%	8.4%	9.8%	9.4%	9.0%
Stock compensation expense	7.0%	6.6%	7.4%	7.9%	7.0%	7.2%	6.9%	7.5%	7.5%	7.5%	7.4%	7.0%	6.7%
% of Gross Revenues													
Traffic Acquisition Costs (TAC)	23.8%	22.9%	23.0%	21.6%	21.1%	22.1%	21.0%	21.5%	20.7%	20.7%	20.9%	20.2%	19.6%
Other cost of revenues (non-TAC)	12.7%	16.0%	15.8%	16.7%	17.9%	16.7%	17.1%	16.8%	17.1%	17.8%	17.2%	16.9%	17.0%
Research & development	10.4%	9.9%	10.4%	10.1%	9.3%	9.9%	10.8%	11.1%	10.7%	10.2%	10.7%	10.5%	10.3%
Sales & marketing	10.9%	10.2%	11.1%	10.7%	11.2%	10.8%	10.3%	11.4%	11.1%	11.3%	11.0%	11.1%	10.8%
General & administrative	6.7%	7.1%	7.6%	7.3%	6.7%	7.1%	8.7%	8.0%	7.9%	6.7%	7.8%	7.5%	7.2%
Stock compensation expense	5.4%	5.1%	5.7%	6.2%	5.6%	5.6%	5.4%	5.9%	5.9%	5.9%	5.8%	5.6%	5.4%
Margins as % of Net Revenues													
Gross margin	83.3%	79.2%	79.5%	78.7%	77.3%	78.6%	78.4%	78.6%	78.4%	77.5%	78.2%	78.8%	78.8%
Operating Margin	39.4%	37.5%	34.3%	35.0%	35.8%	35.7%	33.8%	32.3%	33.4%	34.5%	33.5%	35.4%	36.8%
PF Operating margin	46.5%	44.1%	42.5%	43.0%	42.8%	43.1%	40.6%	39.8%	40.9%	42.0%	40.9%	42.4%	43.5%
Net margin	30.8%	33.5%	32.0%	27.7%	27.3%	29.9%	28.3%	27.3%	28.3%	29.2%	28.7%	30.7%	32.2%
EBITDA	54.9%	53.1%	51.9%	51.2%	51.2%	52.0%	49.6%	49.5%	50.2%	50.4%	50.0%	50.8%	51.4%
Change in EBITDA Margin Q/Q (bps)	NA	(185)	(119)	4	(76)	NA	(241)	(8)	75	20	NA	NA	NA
Change in EBITDA Margin Y/Y (bps)	(29)	(170)	(380)	(264)	(355)	(296)	(352)	(241)	(170)	(75)	(202)	88	60
Operating Leverage/Flow-through	53.5%	45.6%	33.5%	40.6%	37.7%	39.3%	33.6%	38.5%	41.9%	46.5%	40.2%	55.6%	55.3%
Margin as % of Gross Revenues													
Gross margin	63.5%	61.1%	61.2%	61.7%	61.0%	61.3%	62.0%	61.7%	62.2%	61.4%	61.8%	62.9%	63.3%
Operating margin	30.0%	28.9%	26.4%	27.4%	28.3%	27.8%	26.7%	25.4%	26.5%	27.3%	26.5%	28.3%	29.6%
PF Operating margin	35.4%	34.0%	32.7%	33.7%	33.8%	33.6%	32.1%	31.3%	32.4%	33.3%	32.3%	33.8%	35.0%
Net margin	23.4%	25.8%	24.6%	21.7%	21.6%	23.3%	22.4%	21.4%	22.5%	23.1%	22.7%	24.5%	25.8%
EBITDA	41.9%	40.9%	40.0%	40.7%	40.4%	40.5%	39.2%	38.9%	39.8%	40.0%	39.5%	40.6%	

Figure 4: Google Revenue Drivers

	2012A	2013A	3/14A	6/14E	9/14E	12/14E	2014E	2015E	2016E
Total Google Gross Revenues	46,040.0	55,550.0	15,420.0	15,663.5	16,393.7	18,600.6	66,077.8	77,507.6	88,788.0
Gross Revenue Segment Analysis									
Google Web Sites - Gross Revenues	31,221.0	37,453.0	10,469.0	10,730.3	11,178.9	12,502.9	44,881.1	52,421.1	60,022.2
Y/Y growth	19.4%	20.0%	21.2%	21.0%	19.0%	18.5%	19.8%	16.8%	14.5%
Q/Q growth			-0.8%	2.5%	4.2%	11.8%			
Google Network Web Sites - Gross Revenues	12,465.0	13,125.0	3,397.0	3,416.5	3,431.3	3,874.2	14,119.0	15,248.6	16,468.4
Y/Y growth	20.0%	5.3%	4.1%	7.0%	9.0%	10.0%	7.6%	8.0%	8.0%
Q/Q growth			-3.5%	0.6%	0.4%	12.9%			
Total Gross Advertising Revenues	43,686.0	50,578.0	13,866.0	14,146.8	14,610.2	16,377.1	59,000.1	67,669.6	76,490.6
Y/Y growth	19.6%	15.8%	16.5%	17.3%	16.5%	16.4%	16.7%	14.7%	13.0%
Q/Q growth			-1.5%	2.0%	3.3%	12.1%			
Licensing & Other Gross Revenues	2,354.0	4,972.0	1,554.0	1,516.7	1,783.5	2,223.5	7,077.7	9,837.9	12,297.4
Y/Y growth	71.3%	111.2%	48.1%	45.0%	45.0%	35.0%	42.4%	39.0%	25.0%
Q/Q growth			-5.6%	-2.4%	17.6%	24.7%			
Total Gross Revenues	46,040.0	55,550.0	15,420.0	15,663.5	16,393.7	18,600.6	66,077.8	77,507.6	88,788.0
Y/Y growth	21.5%	20.7%	19.1%	19.5%	19.0%	18.3%	19.0%	17.3%	14.6%
Q/Q growth			-1.9%	1.6%	4.7%	13.5%			
Gross Revenue Share by Segment									
Google Web Sites - Gross Revenues	67.8%	67.4%	67.9%	68.5%	68.2%	67.2%	67.9%	67.6%	67.6%
Google Network Web Sites - Gross Revenues	27.1%	23.6%	22.0%	21.8%	20.9%	20.8%	21.4%	19.7%	18.5%
Total Gross Advertising Revenues	94.9%	91.0%	89.9%	90.3%	89.1%	88.0%	89.3%	87.3%	86.1%
Licensing & Other Gross Revenues	5.1%	9.0%	10.1%	9.7%	10.9%	12.0%	10.7%	12.7%	13.9%
Total Gross Revenues	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
TAC Analysis									
Google Web Sites - TAC	2,165.0	2,965.0	845.0	901.3	961.4	1,100.3	3,808.0	4,770.3	5,582.1
TAC as % of Google Sites Gross Adv. Revenues	6.9%	7.9%	8.1%	8.4%	8.6%	8.8%	8.5%	9.1%	9.3%
Y/Y growth	42.7%	37.0%	24.3%	27.7%	27.3%	33.5%	28.4%	25.3%	17.0%
Google Network Web Sites - TAC	8,795.0	9,292.0	2,387.0	2,459.9	2,429.4	2,758.4	10,034.7	10,902.7	11,857.3
TAC as % of Google Network Gross Adv. Revenues	70.6%	70.8%	70.3%	72.0%	70.8%	71.2%	71.1%	71.5%	72.0%
Y/Y growth	20.6%	5.7%	4.6%	6.6%	9.6%	11.0%	8.0%	8.7%	8.8%
Total Traffic Acquisition Costs (TAC)	10,960.0	12,257.0	3,232.0	3,361.2	3,390.8	3,858.7	13,842.7	15,673.0	17,439.3
TAC as a % of Total Gross Adv. Revenues	25.1%	24.2%	23.3%	23.8%	23.2%	23.6%	23.5%	23.2%	22.8%
Y/Y growth	24.4%	11.8%	9.1%	11.6%	14.1%	16.6%	12.9%	13.2%	11.3%
Total Net Revenues	35,080.0	43,293.0	12,188.0	12,302.3	13,002.9	14,741.9	52,235.1	61,834.5	71,348.7
Net Revenue Segment Analysis									
Google Web Sites (AdWords) - Net Revenues	29,056.0	34,488.0	9,624.0	9,828.9	10,217.5	11,402.7	41,073.1	47,650.8	54,440.1
Y/Y growth	18.0%	18.7%	20.9%	20.4%	18.3%	17.2%	19.1%	16.0%	14.2%
Q/Q growth			-1.1%	2.1%	4.0%	11.6%			
Google Network Web Sites (AdSense) - Net Revenues	3,670.0	3,833.0	1,010.0	956.6	1,001.9	1,115.8	4,084.3	4,345.8	4,611.2
Y/Y growth	18.6%	4.4%	3.1%	8.0%	7.6%	7.7%	6.6%	6.4%	6.1%
Q/Q growth			-2.5%	-5.3%	4.7%	11.4%			
Total Net Advertising Revenues	32,726.0	38,321.0	10,634.0	10,785.6	11,219.4	12,518.4	45,157.4	51,996.6	59,051.3
Y/Y growth	18.0%	17.1%	18.9%	19.2%	17.2%	16.3%	17.8%	15.1%	13.6%
Q/Q growth			-1.2%	1.4%	4.0%	11.6%			
Licensing & Other Net Revenues	2,354.0	4,972.0	1,554.0	1,516.7	1,783.5	2,223.5	7,077.7	9,837.9	12,297.4
Y/Y growth	71.3%	111.2%	48.1%	45.0%	45.0%	35.0%	42.4%	39.0%	25.0%
Q/Q growth			-5.6%	-2.4%	17.6%	24.7%			
Total Net Revenues	35,080.0	43,293.0	12,188.0	12,302.3	13,002.9	14,741.9	52,235.1	61,834.5	71,348.7
Y/Y growth	20.6%	23.4%	22.0%	21.9%	20.4%	18.8%	20.7%	18.4%	15.4%
Q/Q growth			-1.8%	0.9%	5.7%	13.4%			
Net Revenue Share by Segment									
Google Web Sites as % of Total Net Revs	82.8%	79.7%	79.0%	79.9%	78.6%	77.3%	78.6%	77.1%	76.3%
Google Network Web Sites as % of Total Net Revs	10.5%	8.9%	8.3%	7.8%	7.7%	7.6%	7.8%	7.0%	6.5%
Total Advertising Revenues as % of Total Net Revs	93.3%	88.5%	87.2%	87.7%	86.3%	84.9%	86.5%	84.1%	82.8%
Licensing & Other Revenue as % of Total Net Revs	6.7%	11.5%	12.8%	12.3%	13.7%	15.1%	13.5%	15.9%	17.2%
Total Net Revenues	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: J.P. Morgan estimates Company data.

Figure 5: Facebook Income Statement

	2012A	1Q13A	2Q13A	3Q13A	4Q13A	2013A	1Q14A	2Q14E	3Q14E	4Q14E	2014E	2015E	2016E
Revenue	5,089	1,458	1,813	2,016	2,585	7,872	2,502	2,887	3,101	3,663	12,153	16,254	20,047
Cost of Revenue	1,272	404	454	495	480	1,833	448	548	626	751	2,374	3,495	4,310
Gross Profit	3,817	1,054	1,359	1,521	2,105	6,039	2,054	2,338	2,475	2,912	9,779	12,759	15,737
Operating Expenses													
Advertising Expense													
% of Marketing and Sales													
Marketing and Sales	582	175	235	197	249	856	276	346	310	348	1,281	1,593	1,945
Research and Development	504	165	186	197	232	780	259	297	307	330	1,193	1,463	1,804
General and Administrative	471	151	144	140	165	600	145	188	211	234	778	1,056	1,303
Stock-based Compensation	1,572	170	224	239	273	906	274	245	248	293	1,061	1,300	1,504
Payroll Tax Related to SBC	150	20	8	12	53	93	25						
Total Operating Expenses	3,279	681	797	785	972	3,235	979	1,077	1,076	1,205	4,312	5,412	6,556
Operating Income	538	373	562	736	1,133	2,804	1,075	1,261	1,399	1,707	5,467	7,347	9,182
PF Operating Income	2,260	563	794	987	1,459	3,803	1,374	1,507	1,647	2,000	6,528	8,647	10,685
Interest Expense	(37)	(15)	(14)	(21)	(7)	(57)	0						
Other	(7)	(5)	(3)	11	4	7	0						
Other income (expense), net	(44)	(20)	(17)	(10)	(3)	(50)	0	19	20	27	66	147	210
Pre-tax Income	494	353	545	726	1,130	2,754	1,075	1,281	1,418	1,734	5,533	7,493	9,392
Income Taxes	441	134	212	301	607	1,254	433	512	567	694	2,206	3,147	3,757
Effective Tax Rate	89%	38%	39%	41%	54%	46%	40%	40%	40%	40%	40%	42%	40%
Net Income attributable to participating securities			2.0				3						
GAAP Net Income	53	219	331	425	523	1,500	642	768	851	1,041	3,302	4,346	5,635
Net Income attributable to participating securities			-	3									
Net income attributable to Class A, B common stockholders													
GAAP Basic EPS							\$0.25						
Basic Shares Out				2,430			2,545						
GAAP EPS	\$0.02	\$0.09	\$0.13	\$0.17	\$0.20	\$0.59	\$0.25	\$0.27	\$0.30	\$0.37	\$1.19	\$1.52	\$1.93
Diluted Shares Out	2,474	2,499	2,502	2,528	2,558	2,522	2,609	2,824	2,832	2,841	2,777	2,860	2,917
Non-GAAP Pre-tax Income	2,216	543	777	977	1,456	3,753	1,374	1,526	1,666	2,027	6,594	8,794	10,895
Income Taxes	891	231	289	356	676	1,552	489	549	600	730	2,368	3,254	3,813
Effective Tax Rate	40%	43%	37%	36%	46%	41%	36%	36%	36%	36%	36%	37%	35%
Non-GAAP Net Income	1,325	312	488	621	780	2,201	885	977	1,066	1,298	4,226	5,540	7,082
Non-GAAP EPS	\$0.54	\$0.12	\$0.19	\$0.25	\$0.30	\$0.87	\$0.34	\$0.35	\$0.38	\$0.46	\$1.52	\$1.94	\$2.43
EBITDA Calculation													
Operating Income	538	373	562	736	1,133	2,804	1,075	1,261	1,399	1,707	5,467	7,347	9,182
Stock-based compensation	1,572	170	224	239	273	906	274	245	248	293	1,061	1,300	1,504
Payroll Tax Related to SBC	150	20	8	12	53	93							
Depreciation and Amortization	649	241	230	274	274	1,019	264	291	318	350	1,222	1,699	2,131
EBITDA	2,909	804	1,024	1,261	1,733	4,822	1,613	1,797	1,965	2,350	7,725	10,346	12,816
	2012A	1Q13A	2Q13A	3Q13A	4Q13A	2013A	1Q14A	2Q14E	3Q14E	4Q14E	2014E	2015E	2016E
Y/Y Growth													
Revenue	37%	38%	53%	60%	63%	55%	72%	59%	54%	42%	54%	34%	23%
Cost of Revenue	49%	48%	54%	56%	24%	44%	11%	21%	27%	56%	30%	47%	23%
Gross Profit	33%	34%	53%	61%	76%	58%	95%	72%	63%	38%	62%	30%	23%
Marketing and Sales	52%	29%	74%	32%	54%	47%	58%	47%	57%	40%	50%	24%	22%
Research and Development	85%	77%	66%	39%	48%	55%	57%	60%	56%	42%	53%	23%	23%
General and Administrative	109%	110%	13%	9%	15%	27%	-4%	30%	51%	42%	30%	36%	23%
Stock-based Compensation	624%	65%	-80%	34%	48%	-42%	61%	10%	4%	7%	17%	23%	16%
Total Operating Expenses	197%	69%	-51%	38%	44%	-1%	44%	35%	37%	24%	33%	26%	21%
Total Operating Expenses (Ex-SBC)	63%	56%	52%	40%	33%	44%	26%	35%	41%	48%	38%	35%	23%
Operating Income	-69%	-2%	NM	95%	117%	421%	188%	124%	90%	51%	95%	34%	25%
PF Operating Income	14%	16%	54%	88%	98%	68%	144%	90%	67%	37%	72%	32%	24%
GAAP Net Income	-95%	7%	NM	NM	717%	NM	193%	132%	100%	99%	120%	32%	30%
GAAP EPS	-95%	1%	NM	NM	701%	NM	181%	106%	79%	79%	100%	28%	27%
Non-GAAP EPS	5%	1%	62%	104%	79%	63%	172%	77%	53%	50%	74%	27%	25%
EBITDA	26%	35%	57%	80%	81%	66%	101%	76%	56%	36%	60%	34%	24%
Q/Q Growth													
Revenue		-8%	24%	11%	28%		-3%	15%	7%	18%			
Operating Income		-29%	51%	31%	54%		-5%	17%	11%	22%			
PF Operating Income		-24%	41%	24%	48%		-6%	10%	9%	21%			
GAAP EPS		243%	51%	27%	22%		20%	11%	10%	22%			
Non-GAAP EPS		-27%	56%	26%	24%		11%	2%	9%	21%			
EBITDA		-16%	27%	23%	37%		-7%	11%	9%	20%			
% of Revenue													
Cost of Revenue	25.0%	27.7%	25.0%	24.6%	18.6%	23.3%	17.9%	19.0%	20.2%	20.5%	19.5%	21.5%	21.5%
Gross Profit	75.0%	72.3%	75.0%	75.4%	81.4%	76.7%	82.1%	81.0%	79.8%	79.5%	80.5%	78.5%	78.5%
Marketing and Sales	11.4%	12.0%	13.0%	9.8%	9.6%	10.9%	11.0%	12.0%	10.0%	9.5%	10.5%	9.8%	9.7%
Research and Development	9.9%	11.3%	10.3%	9.8%	9.0%	9.9%	10.4%	10.3%	9.9%	9.0%	9.8%	9.0%	9.0%
General and Administrative	9.3%	10.4%	7.9%	6.9%	6.4%	7.6%	5.8%	6.5%	6.8%	6.4%	6.4%	6.5%	6.5%
Stock-based Compensation	30.9%	11.7%	12.4%	11.9%	10.6%	11.5%	11.0%	8.5%	8.0%	8.0%	8.7%	8.0%	7.5%
Operating Income	10.6%	25.6%	31.0%	36.5%	43.8%	35.6%	43.0%	43.7%	45.1%	46.6%	45.0%	45.2%	45.8%
PF Operating Income	44.4%	38.6%	43.8%	49.0%	56.4%	48.3%	54.9%	52.2%	53.1%	54.6%	53.7%	53.2%	53.3%
EBITDA	57.2%	55.1%	56.5%	62.5%	67.0%	61.3%	64.5%	62.3%	63.4%	64.1%	63.6%	63.7%	63.9%

Source: J.P. Morgan estimates Company data.

Figure 6: Facebook Revenue Segment Summary

	2012A	1Q13A	2Q13A	3Q13A	4Q13A	2013A	1Q14A	2Q14E	3Q14E	4Q14E	2014E	2015E	2016E
Summary													
Advertising	4,279	1,245	1,599	1,798	2,344	6,986	2,265	2,647	2,858	3,403	11,173	15,250	19,036
Y/Y Growth	36%	43%	61%	66%	76%	63%	82%	66%	59%	45%	60%	36%	25%
Ex-FX Revenue (Y/Y)		43%	63%	66%			83%						
Q/Q Growth		-6%	28%	12%	30%		-3%	17%	8%	19%			
% of Total Revenues	84%	85%	88%	89%	91%	89%	91%	92%	92%	93%	92%	94%	95%
Payments and Other Fees	810	213	214	218	241	886	237	239	243	261	980	1,004	1,012
Y/Y Growth	45%	15%	11%	24%	-6%	9%	11%	12%	11%	8%	11%	2%	1%
Q/Q Growth		-17%	0%	2%	11%		-2%	1%	2%	7%			
% of Total Revenues	16%	15%	12%	11%	9%	11%	9%	8%	8%	7%	8%	6%	5%
Total Revenue	5,089	1,458	1,813	2,016	2,585	7,872	2,502	2,887	3,101	3,663	12,153	16,254	20,047
Y/Y Growth	37%	38%	53%	60%	63%	55%	72%	59%	54%	42%	54%	34%	23%
FX Impact							9						
Ex-FX Revenue (Y/Y)	5,216						2,511						
Y/Y Growth (Ex-FX)	41%						72%						
Q/Q Growth		-8%	24%	11%	28%		-3%	15%	7%	18%			
Seasonality		19%	23%	26%	33%		32%	37%	39%	47%			
Revenue per MAU (ARPU) Summary													
US & Canada	\$13.61	\$3.50	\$4.32	\$4.84	\$6.02	\$18.74	\$5.85	\$6.66	\$7.18	\$8.32	\$28.04	\$37.30	\$43.51
Europe	\$5.94	\$1.60	\$1.87	\$1.96	\$2.60	\$8.07	\$2.44	\$2.64	\$2.74	\$3.32	\$11.14	\$13.46	\$15.47
Asia	\$2.37	\$0.64	\$0.75	\$0.81	\$0.95	\$3.19	\$0.93	\$1.06	\$1.04	\$1.14	\$4.20	\$5.22	\$5.83
Rest of World	\$1.88	\$0.50	\$0.63	\$0.67	\$0.84	\$2.71	\$0.70	\$0.86	\$0.96	\$1.10	\$3.67	\$4.09	\$5.41
Total	\$5.35	\$1.35	\$1.60	\$1.72	\$2.14	\$6.89	\$2.00	\$2.23	\$2.33	\$2.68	\$9.28	\$11.10	\$12.47
Y/Y Growth													
US & Canada	18%	21%	35%	43%	47%	38%	67%	54%	48%	38%	50%	33%	17%
Europe	6%	14%	31%	44%	52%	36%	53%	42%	39%	27%	38%	21%	15%
Asia	14%	21%	36%	39%	38%	34%	46%	41%	30%	20%	32%	24%	12%
Rest of World	21%	36%	44%	44%	49%	44%	39%	36%	43%	31%	36%	11%	32%
Total	5%	11%	25%	34%	39%	29%	48%	39%	36%	25%	35%	20%	12%
Q/Q Growth													
US & Canada		-14%	23%	12%	24%		-3%	14%	8%	16%			
Europe		-7%	17%	5%	33%		-6%	8%	4%	21%			
Asia		-7%	18%	7%	18%		-2%	14%	-2%	9%			
Rest of World		-11%	26%	6%	25%		-17%	22%	12%	15%			
Total		-12%	19%	7%	24%		-7%	12%	5%	15%			
Geographic Revenue Breakdown													
Based on User Location													
US & Canada	2,532	679	848	962	1,206	3,695	1,179	1,352	1,470	1,713	5,714	7,751	9,148
Europe	1,455	423	505	538	727	2,193	698	763	794	978	3,233	4,069	4,792
Asia	605	197	247	278	341	1,063	354	421	427	484	1,686	2,438	3,091
Rest of World	497	159	213	238	311	921	271	350	411	489	1,520	1,996	3,017
Total	5,089	1,458	1,813	2,016	2,585	7,872	2,502	2,887	3,101	3,663	12,153	16,254	20,047
% of Total													
US & Canada	50%	47%	47%	48%	47%	47%	47%	47%	47%	47%	47%	48%	46%
Europe	29%	29%	28%	27%	28%	28%	28%	26%	26%	27%	27%	25%	24%
Asia	12%	14%	14%	14%	13%	14%	14%	15%	14%	13%	14%	15%	15%
Rest of World	10%	11%	12%	12%	12%	12%	11%	12%	13%	13%	13%	12%	15%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Y/Y Growth													
US & Canada	32%	29%	44%	51%	55%	46%	74%	59%	53%	42%	55%	36%	18%
Europe	26%	29%	46%	58%	65%	51%	65%	51%	48%	35%	47%	26%	18%
Asia	67%	67%	83%	81%	72%	76%	80%	71%	54%	42%	59%	45%	27%
Rest of World	79%	83%	88%	83%	86%	85%	70%	64%	73%	57%	65%	31%	51%
Total	37%	38%	53%	60%	63%	55%	72%	59%	54%	42%	54%	34%	23%

Source: J.P. Morgan estimates Company data.

Figure 7: Facebook Bottom-up Ad Model

(in Millions except per user figures)	2012A	1Q13A	2Q13A	3Q13A	4Q13A	2013A	1Q14A	2Q14E	3Q14E	4Q14E	2014E	2015E	2016E
Mobile News Feed													
Average MAUs	556	716	785	847	910	813	977	1,043	1,104	1,163	1,070	1,283	1,464
Visits/User/Day	0.86	1.07	1.12	1.18	1.40	1.19	1.40	1.48	1.54	1.63	1.51	1.75	1.90
Impressions/Visit/User	0.63	1.05	1.18	1.21	1.23	1.17	1.21	1.22	1.23	1.25	1.23	1.25	1.26
Total Impressions/Day	241	801	1,037	1,209	1,566	1,156	1,654	1,883	2,091	2,370	2,002	2,806	3,505
Total Impressions in Period	88,354	72,077	94,668	111,194	144,087	422,026	148,877	171,354	192,410	217,999	730,640	1,024,171	1,282,869
Y/Y Growth		NM	5397%	303%	144%	378%	107%	81%	73%	51%	73%	40%	25%
Q/Q Growth		22%	31%	17%	30%	7%	3%	15%	12%	13%			
eCPM	\$5.31	\$5.18	\$6.93	\$7.92	\$8.68	\$7.49	\$8.73	\$9.35	\$9.50	\$10.25	\$9.53	\$10.60	\$11.10
Y/Y Growth		NM	1%	44%	68%	41%	69%	35%	20%	18%	27%	11%	5%
Q/Q Growth		0%	34%	14%	10%		1%	7%	2%	8%			
Revenue/MAU	\$0.84	\$0.52	\$0.84	\$1.04	\$1.37	\$3.89	\$1.33	\$1.54	\$1.66	\$1.92	\$6.51	\$8.46	\$9.73
Period ending revenue/day (millions)	\$3.65	\$4.66	\$9.71	\$9.44	\$17.75	\$13.67	\$11.14	\$24.07	\$15.67	\$32.91	\$24.49	\$35.00	\$42.82
Y/Y Growth		NM	1843%	215%	387%	275%	139%	148%	66%	85%	79%	43%	22%
Q/Q Growth		28%	109%	-3%	88%		-37%	116%	-35%	110%			
Avg Period Revenue/Day (millions)	\$1.28	\$4.15	\$7.18	\$9.58	\$13.59	\$8.66	\$14.45	\$17.61	\$19.87	\$24.29	\$19.08	\$29.74	\$38.91
FB Mobile News Feed Revenue	\$469.6	\$373.5	\$655.6	\$881.0	\$1,260.5	\$3,160.6	\$1,300.1	\$1,602.2	\$1,827.9	\$2,234.5	\$6,964.7	\$10,856.2	\$14,239.8
Y/Y Growth		NM	NM	479%	309%	573%	248%	144%	107%	79%	120%	56%	31%
Q/Q Growth		22%	76%	34%	42%	4%	23%	14%	22%				
% of Total Ad Revenue	11%	30%	41%	49%	53%	45%	57%	61%	64%	66%	62%	71%	75%
		68	282	225	370	1,910	50	302	226	407	4,730		
Instagram Revenue													
	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$36.2	\$41.0	\$45.6	\$51.6	\$174.4	\$280.6	\$564.6
Y/Y Growth												61%	101%
Q/Q Growth													
% of Total Ad Revenue							2%	2%	2%	2%	2%	2%	3%
Total Mobile (FB + Instagram)	\$469.6	\$373.5	\$655.6	\$881.0	\$1,260.5	\$3,160.6	\$1,336.4	\$1,643.2	\$1,873.5	\$2,286.0	\$7,139.1	\$11,136.8	\$14,804.4
Y/Y Growth		NM	NM	479%	309%	573%	258%	151%	113%	83%	126%	56%	33%
Q/Q Growth		22%	76%	34%	42%	4%	23%	14%	22%				
% of Total Ad Revenue	11%	30%	41%	49%	53%	45%	59%	62%	66%	67%	64%	73%	78%
Desktop News Feed													
Average MAUs	843	910	929	936	934	916	934	941	944	944	939	950	946
Visits/User/Day	1.03	0.96	0.90	0.85	0.85	0.89	0.77	0.78	0.76	0.76	0.77	0.73	0.69
Impressions/Visit/User	0.30	0.70	0.80	0.86	0.90	0.86	0.95	0.97	0.98	1.00	0.99	1.05	1.12
Total Impressions/Day	257	612	669	684	714	670	683	712	703	717	704	728	731
Total Impressions in Period	93,909	55,037	61,002	62,914	65,700	244,653	61,457	64,765	64,697	65,980	256,900	265,730	267,667
Y/Y Growth		NM	363%	123%	35%	161%	12%	6%	3%	0%	5%	3%	1%
Q/Q Growth		13%	11%	3%	4%	4%	6%	5%	0%	2%			
eCPM	\$2.93	\$3.25	\$3.90	\$4.50	\$5.50	\$4.36	\$6.50	\$6.60	\$6.80	\$7.80	\$6.93	\$8.30	\$9.25
Y/Y Growth		NM	123%	66%	57%	49%	94%	69%	51%	42%	59%	20%	11%
Q/Q Growth		-4%	16%	15%	22%	18%	18%	2%	3%	15%			
Revenue/MAU	\$0.33	\$0.20	\$0.26	\$0.30	\$0.39	\$1.17	\$0.43	\$0.45	\$0.47	\$0.55	\$1.90	\$2.32	\$2.62
Period ending revenue/day (millions)	\$2.74	\$1.36	\$3.86	\$2.30	\$5.56	\$3.11	\$3.32	\$6.07	\$3.49	\$7.70	\$6.65	\$5.43	\$8.10
Y/Y Growth		NM	671%	130%	103%	13%	144%	58%	52%	39%	114%	-18%	49%
Q/Q Growth		-50%	184%	-40%	142%		-40%	83%	-43%	121%			
Avg Period Revenue/Day (millions)	\$0.75	\$2.05	\$2.61	\$3.08	\$3.93	\$2.92	\$4.44	\$4.70	\$4.78	\$5.59	\$4.88	\$6.04	\$6.76
Desktop News Feed Revenue	\$275.3	\$184.4	\$237.9	\$283.1	\$361.3	\$1,066.7	\$399.5	\$427.4	\$439.9	\$514.6	\$1,781.5	\$2,205.6	\$2,475.9
Y/Y Growth		NM	932%	271%	112%	287%	117%	80%	55%	42%	67%	24%	12%
Q/Q Growth		8%	29%	19%	28%	15%	11%	7%	3%	17%			
% of Total Ad Revenue	6%	15%	15%	16%	15%		16%	16%	15%	15%	16%	14%	13%
Total News Feed Revenue (Mobile + Desktop)	\$744.9	\$557.9	\$893.5	\$1,164.1	\$1,611.9	\$4,227.4	\$1,699.6	\$2,029.6	\$2,267.8	\$2,749.1	\$8,746.2	\$13,061.8	\$16,715.8
Y/Y Growth		NM	NM	410%	239%	468%	205%	127%	95%	71%	107%	49%	28%
Q/Q Growth		17%	60%	30%	38%		5%	19%	12%	21%			
Desktop Right Rail													
Average MAUs	843	910	929	936	934	916	934	941	944	944	939	950	946
Visits/User/Day	1.03	0.96	0.90	0.85	0.85	0.89	0.77	0.78	0.76	0.76	0.77	0.73	0.69
Impressions/Visit/User	64.5	79.7	83.0	85.0	85.0	83.2	81.0	80.0	75.0	74.0	77.5	67.0	65.0
Total Impressions/Day	56,034	69,632	69,359	67,590	67,445	66,103	58,222	58,697	53,819	53,071	55,831	46,455	42,443
Days in Period	366	90	91	92	92	365	90	91	92	90	365	365	366
Minutes (in millions)	3,682,221	924,426	921,392	--	--	--	--	--	--	--	--	--	--
Revenue per 1000 Minutes	\$0.96	\$0.74	\$0.77	--	--	--	--	--	--	--	--	--	--
Total Impressions in Period	20,508,386	6,266,886	6,484,512	5,687,825	5,688,462	24,127,685	5,115,868	5,341,437	4,951,333	4,776,410	20,185,048	16,956,094	15,534,233
Y/Y Growth	30%	36%	40%	14%	-10%	18%	-18%	-18%	-13%	-16%	-16%	-16%	-8%
Q/Q Growth		-1%	3%	-12%	0%		-10%	4%	-7%	-4%			
eCPM	\$0.17	\$0.11	\$0.11	\$0.11	\$0.13	\$0.11	\$0.11	\$0.11	\$0.11	\$0.13	\$0.11	\$0.11	\$0.11
Y/Y Growth	-14%	NM	-47%	-35%	5%	-34%	-1%	-1%	-1%	-2%	-1%	-1%	0%
Q/Q Growth		-19%	-1%	2%	15%		-14%	-2%	2%	15%			
Revenue/MAU	\$4.19	\$0.76	\$0.76	\$0.68	\$0.78	\$3.01	\$0.61	\$0.61	\$0.58	\$0.64	\$2.44	\$2.01	\$1.85
Avg Period Revenue/Day (millions)	\$9.66	\$7.63	\$7.73	\$6.89	\$7.96	\$7.56	\$6.28	\$6.34	\$5.92	\$6.69	\$6.27	\$5.23	\$4.80
Desktop Right Rail Revenue	\$3,534.1	\$687.1	\$705.5	\$633.9	\$732.1	\$2,758.6	\$565.4	\$576.9	\$544.6	\$601.8	\$2,288.8	\$1,907.6	\$1,755.4
Y/Y Growth	12%	-21%	-26%	-26%	-14%	-22%	-18%	-18%	-14%	-18%	-17%	-17%	-8%
Q/Q Growth		-19%	3%	-10%	16%		-23%	2%	-6%	10%			
% of Total Ad Revenue	83%	55%	44%	35%	31%	39%	25%	22%	19%	18%	20%	13%	9%
Total Desktop Revenue (News Feed + Right Rail)	\$3,809.4	\$871.5	\$943.4	\$917.0	\$1,093.5	\$3,825.4	\$964.9	\$1,004.3	\$984.6	\$1,116.5	\$4,070.3	\$4,113.1	\$4,231.3
Y/Y Growth	21%	0%	-4%	-2%	7%	0%	11%	6%	7%	2%	6%	1%	3%
Q/Q Growth		-15%	8%	-3%	19%		-12%	4%	-2%	13%			
% of Total Ad Revenue	89%	70%	59%	51%	47%	55%	43%	38%	34%	33%	36%	27%	22%
Revenue/MAU	\$4.52	\$0.96	\$1.02	\$0.98	\$1.17	\$4.18	\$1.03	\$1.07	\$1.04	\$1.18	\$4.34	\$4.33	\$4.47
Y/Y Growth	-1%	-12%	-13%	-9%	2%	-8%	6%	5%	6%	1%	4%	0%	3%
TOTAL ADVERTISING													
Average MAUs	951	1,083	1,133	1,172	1,209	1,142	1,252	1,295	1,330	1,368	1,309	1,465	1,607
Visits/User/Day	1.42	1.51	1.51	1.53	1.71	1.56	1.67	1.76	1.82	1.91	1.79	2.01	2.14
Impressions/Visit/User	42	43	42	36	31	38	28	27	23	22	25	17	14
Total Impressions/Day	56,532	71,044	72,769	63,717	64,111	67,930	59,180	61,292	56,613	56,227	58,007	49,989	46,680
Days in Period	366	90	91	92	92	365	90	91	92	90	365	365	366
Total Impressions in Period	20,690,649	6,394,000	6,640,182	5,861,934	5,898,248	24,794,365	5,326,202	5,577,556	5,208,441	5,060,389	21,172,588	18,245,994	17,084,769
Y/Y Growth	31%	39%	43%	-12%	-8%	20%	-10%	-17%	-16%	-11%	-15%	-14%	-6%
Q/Q Growth		0%	4%	-12%	1%		-10%	5%	-7%	-3%			
eCPM	\$0.21	\$0.19	\$0.24	\$0.31	\$0.40	\$0.28	\$0.43	\$0.47	\$0.55	\$0.67	\$0.53	\$0.84	\$1.11
Y/Y Growth	3%	3%	13%	42%	92%	36%	118%	97%	79%	69%	87%	58%	33%
Q/Q Growth		-6%	24%	27%	30%		7%	12%	16%	23%			
TOTAL ADVERTISING REVENUE	\$4,279.0	\$1,245.0	\$1,599.0	\$1,798.0	\$2,344.0	\$6,996.0	\$2,265.0	\$2,647.5	\$2,858.1	\$3,402.5	\$11,173.1	\$15,249.9	\$19,035.7
Y/Y Growth	36%	43%	61%	66%	76%	63%	82%	66%	59%	45%	60%	36%	25%
ex-FX Y/Y Growth	0%	43%	63%	66%	76%	63%	83%	66%	59%	45%	60%	36%	25%
Q/Q Growth		-6%	28%	12%	30%		-3%	17%	8%	19%			
% of Total Ad Revenue	100%	100%	100%	100%	100%	100%	100%	98%	98%	98%	99%	98%	97%
News Feed as a % of total Impressions	1%	1.99%	2.34%	2.97%	3.56%	2.69%	3.95%	4.23%	4.94%	5.61%	4.66%	7.07%	9.08%
News Feed as a % of total Revenue	17.4%	44.8%	55.9%	64.7%	68.8%	60.5%	75.0%	76.7%	79.3%	80.8%	78.3%	85.7%	87.8%

Source: J.P. Morgan estimates Company data.

Figure 8: Facebook Revenue Drivers-Advertising

	2012A	1Q13A	2Q13A	3Q13A	4Q13A	2013A	1Q14A	2Q14E	3Q14E	4Q14E	2014E	2015E	2016E
Global Summary													
Global Advertising													
Advertising Impressions (in billions)	20,691	6,394	6,640	5,862	5,898	24,794	5,326	5,578	5,208	5,060	21,173	18,246	17,085
Y/Y Growth	33%	39%	43%	16%	-8%	20%	-17%	-16%	-11%	-14%	-15%	-14%	-6%
Q/Q Growth		0%	4%	-12%	1%		-10%	5%	-7%	-3%			
Average Cost Per Thousand (CPM)	\$0.21	\$0.19	\$0.24	\$0.31	\$0.40	\$0.28	\$0.43	\$0.47	\$0.55	\$0.67	\$0.53	\$0.84	\$1.11
Y/Y Growth	4%	3%	13%	42%	92%	36%	118%	97%	79%	69%	87%	58%	33%
Q/Q Growth		-6%	24%	27%	30%		7%	12%	16%	23%			
Global Advertising Revenue	4,279	1,245	1,599	1,798	2,344	6,986	2,265	2,647	2,858	3,403	11,173	15,250	19,036
Y/Y Growth	36%	43%	61%	66%	76%	63%	82%	66%	59%	45%	60%	36%	25%
Q/Q Growth		-6%	28%	12%	30%		-3%	17%	8%	19%			
Regional Breakdown													
US & Canada													
Advertising Impressions (in billions)	4,852	1,265	1,169	1,115	1,096	4,646	1,039	994	948	954	3,935	3,541	3,258
Y/Y Growth	9%	5%	6%	-8%	-18%	-4%	-18%	-15%	-15%	-13%	-15%	-10%	-8%
Q/Q Growth		-5%	-8%	-5%	-2%		-5%	-4%	-5%	1%			
Average Cost Per Thousand (CPM)	\$0.43	\$0.44	\$0.62	\$0.75	\$0.97	\$0.68	\$1.00	\$1.23	\$1.42	\$1.66	\$1.32	\$2.04	\$2.66
Y/Y Growth	20%	25%	42%	68%	106%	60%	129%	100%	90%	70%	93%	55%	30%
Q/Q Growth		-8%	41%	21%	31%		3%	23%	15%	17%			
US & Canada Advertising Revenue	2,067	552	721	832	1,068	3,173	1,039	1,226	1,344	1,580	5,188	7,237	8,656
Y/Y Growth	31%	32%	51%	55%	69%	54%	88%	70%	62%	48%	64%	40%	20%
% of Total Advertising Revenue	48%	44%	45%	46%	46%	45%	46%	46%	47%	46%	46%	47%	45%
Europe													
Advertising Impressions (in billions)	7,198	2,341	2,328	1,982	1,800	8,451	1,872	1,879	1,665	1,728	7,144	6,429	5,979
Y/Y Growth	30%	30%	36%	21%	-12%	17%	-20%	-19%	-16%	-4%	-15%	-10%	-7%
Q/Q Growth		14%	-1%	-15%	-9%		4%	0%	-11%	4%			
Average Cost Per Thousand (CPM)	\$0.17	\$0.16	\$0.19	\$0.24	\$0.37	\$0.23	\$0.34	\$0.37	\$0.43	\$0.52	\$0.41	\$0.58	\$0.75
Y/Y Growth	-5%	3%	13%	35%	100%	35%	115%	90%	78%	42%	78%	42%	28%
Q/Q Growth		-14%	24%	26%	50%		-8%	9%	18%	20%			
Europe Advertising Revenue	1,237	367	451	482	658	1,958	631	692	721	897	2,940	3,758	4,473
Y/Y Growth	23%	34%	53%	63%	76%	58%	72%	53%	50%	36%	50%	28%	19%
% of Total Advertising Revenue	29%	29%	28%	27%	28%	28%	28%	26%	25%	26%	26%	25%	23%
Asia													
Advertising Impressions (in billions)	3,760	939	1,219	1,179	1,250	4,587	939	1,097	1,085	1,062	4,183	3,891	3,657
Y/Y Growth	42%	45%	45%	24%	-5%	22%	0%	-10%	-8%	-15%	-9%	-7%	-6%
Q/Q Growth		-29%	30%	-3%	6%		-25%	17%	-1%	-2%			
Average Cost Per Thousand (CPM)	\$0.14	\$0.19	\$0.18	\$0.22	\$0.25	\$0.21	\$0.35	\$0.36	\$0.37	\$0.43	\$0.38	\$0.60	\$0.81
Y/Y Growth	17%	23%	35%	55%	99%	55%	89%	95%	70%	68%	78%	58%	36%
Q/Q Growth		47%	-1%	17%	18%		39%	2%	2%	16%			
Asia Advertising Revenue	515	176	225	255	318	974	333	395	399	454	1,581	2,323	2,970
Y/Y Growth	65%	78%	96%	92%	89%	89%	89%	76%	56%	43%	62%	47%	28%
% of Total Advertising Revenue	12%	14%	14%	14%	14%	14%	15%	15%	14%	13%	14%	15%	16%
Rest of World													
Advertising Impressions (in billions)	4,881	1,849	1,924	1,585	1,752	7,111	1,476	1,608	1,511	1,317	5,911	4,385	4,191
Y/Y Growth	58%	95%	95%	29%	2%	46%	-20%	-16%	-5%	-25%	-17%	-26%	-4%
Q/Q Growth		8%	4%	-18%	11%		-16%	9%	-6%	-13%			
Average Cost Per Thousand (CPM)	\$0.09	\$0.08	\$0.10	\$0.14	\$0.17	\$0.12	\$0.18	\$0.21	\$0.26	\$0.36	\$0.25	\$0.44	\$0.70
Y/Y Growth	14%	-4%	-1%	48%	88%	31%	119%	99%	81%	109%	100%	78%	59%
Q/Q Growth		-11%	29%	38%	19%		4%	17%	25%	37%			
ROW Advertising Revenue	460	150	202	229	300	881	262	335	395	472	1,464	1,932	2,938
Y/Y Growth	80%	88%	94%	91%	92%	92%	75%	66%	72%	57%	66%	32%	52%
% of Total Advertising Revenue	11%	12%	13%	13%	13%	13%	12%	13%	14%	14%	13%	13%	15%

Source: J.P. Morgan estimates Company data.

Figure 9: Facebook Revenue Drivers-Payments and Other Fees

	2011A	2012A	1Q13A	2Q13A	3Q13A	4Q13A	2013A	1Q14A	2Q14E	3Q14E	4Q14E	2014E	2015E	2016E
Payment and Other Fees														
Global Payments and Other Fees														
Total Payments and Other Fees	557	810	213	214	218	241	886	237	239	243	261	980	1,004	1,012
Y/Y Growth	425%	45%	15%	11%	24%	-6%	9%	11%	12%	11%	8%	11%	2%	1%
Q/Q Growth			-17%	0%	2%	11%		-2%	1%	2%	7%			
Revenue per Avg. DAU	0.96													
	\$1.38	\$1.47	\$0.33	\$0.31	\$0.31	\$0.32	\$1.29	\$0.30	\$0.29	\$0.29	\$0.30	\$1.18	\$1.16	\$1.08
Y/Y Growth	232%	7%	-10%	-12%	-1%	-24%	-12%	-8%	-7%	-6%	-9%	-8%	-2%	-7%
Q/Q Growth			-22%	-5%	-3%	6%		-6%	-4%	-2%	3%			
Revenue Per Avg. MAU (ARPU)	\$0.77	\$0.85	\$0.20	\$0.19	\$0.19	\$0.20	\$0.78	\$0.19	\$0.18	\$0.18	\$0.19	\$0.75	\$0.69	\$0.63
Y/Y Growth	250%	11%	-8%	-9%	4%	-20%	-9%	-4%	-2%	-2%	-4%	-4%	-8%	-8%
Q/Q Growth			-21%	-4%	-2%	7%		-5%	-2%	-1%	4%			

	2011A	2012A	1Q13A	2Q13A	3Q13A	4Q13A	2013A	1Q14A	2Q14E	3Q14E	4Q14E	2014E	2015E	2016E
Facebook Payments Revenue From Zynga (30% take)	436	462	75	57	57	62	251	55	55	58	57	225	210	187
Y/Y Growth		6%	-38%	-45%	-35%	-59%	-46%	-27%	-3%	1%	-8%	-10%	-6%	-11%
Q/Q Growth			-50%	-25%	1%	9%		-12%	0%	5%	-1%			
% of FB Payments Revenue	NA	57%	35%	26%	26%	26%	28%	23%	23%	24%	22%	23%	21%	18%
% of FB Total Revenue	NA	9%	5%	3%	3%	2%	3%	2%	2%	2%	2%	2%	1%	1%
Other Payments Revenue (excl. Zynga)	121	348	138	157	161	179	635	182	184	185	204	755	793	825
Y/Y Growth		189%	109%	78%	82%	70%	82%	32%	17%	15%	14%	19%	5%	4%
Q/Q Growth			31%	14%	2%	11%		2%	1%	0%	10%			
% of FB Payments Revenue	NA	43%	65%	74%	74%	74%	72%	77%	77%	76%	78%	77%	79%	82%
Total Facebook Payments Revenue (Bottom-up)	557	810	213	214	218	241	886	237	239	243	261	980	1,004	1,012
Y/Y Growth	425%	45%	15%	11%	24%	-6%	9%	11%	12%	11%	8%	11%	2%	1%
Q/Q Growth			-17%	0%	2%	11%		-2%	1%	2%	7%			

Source: J.P. Morgan estimates Company data.

Figure 10: Facebook Users Metrics by Region

User Metrics	2012A	1Q13A	2Q13A	3Q13A	4Q13A	2013A	1Q14A	2Q14E	3Q14E	4Q14E	2014E	2015E	2016E
Monthly Active Users (MAU)													
US & Canada	193	195	198	199	201	201	202	204	205	206	206	209	211
Europe	261	269	272	276	282	282	289	288	292	298	298	307	313
Asia	298	319	339	351	368	368	390	403	414	435	435	500	560
Rest of World	304	327	346	362	376	376	395	419	435	451	451	524	592
Total	1,056	1,110	1,155	1,189	1,228	1,228	1,276	1,314	1,346	1,390	1,390	1,539	1,676
Y/Y Growth													
US & Canada	8%	7%	6%	6%	4%	4%	4%	3%	3%	3%	2%	1%	1%
Europe	14%	13%	11%	9%	8%	8%	7%	6%	6%	6%	5%	3%	2%
Asia	41%	36%	33%	27%	24%	24%	22%	19%	18%	18%	18%	15%	12%
Rest of World	35%	33%	29%	26%	24%	24%	21%	21%	20%	20%	20%	16%	13%
Total	25%	23%	21%	18%	16%	16%	15%	14%	13%	13%	13%	11%	9%
Country Mix													
US & Canada	18%	18%	17%	17%	16%	16%	16%	16%	15%	15%	15%	14%	13%
Europe	25%	24%	24%	23%	23%	23%	23%	22%	22%	21%	21%	20%	19%
Asia	28%	29%	29%	30%	30%	30%	31%	31%	31%	31%	31%	32%	33%
Rest of World	29%	29%	30%	30%	31%	31%	31%	32%	32%	32%	32%	34%	35%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Mobile MAU													
Mobile MAU	680	751	819	874	945	945	1,008	1,078	1,130	1,195	1,195	1,370	1,558
Y/Y Growth	57%	54%	51%	45%	39%	39%	34%	32%	29%	27%	27%	15%	14%
Q/Q Growth		10%	9%	7%	8%		7%	7%	5%	6%			
% of total MAUs	64%	68%	71%	74%	77%	77%	79%	82%	84%	86%	86%	89%	93%
Mobile-Only MAU													
Mobile-Only MAU	157	189	219	254	296	296	341	368	404	445	445	585	737
Y/Y Growth	171%	128%	115%	102%	89%	89%	80%	68%	59%	50%	50%	31%	26%
Q/Q Growth		20%	16%	16%	17%		15%	8%	10%	10%			
% of total MAUs	15%	17%	19%	21%	24%	24%	27%	28%	30%	32%	32%	38%	44%
Web and Mobile MAU													
Web and Mobile MAU	523	562	600	620	649	649	667	710	727	751	751	785	821
Y/Y Growth	40%	39%	36%	30%	24%	24%	19%	18%	17%	16%	16%	5%	5%
Q/Q Growth		7%	7%	3%	5%		3%	6%	2%	3%			
% of total MAUs	50%	51%	52%	52%	53%	53%	52%	54%	54%	54%	54%	51%	49%
Web MAU													
Web MAU	899	921	936	935	932	932	935	946	942	945	945	954	938
Y/Y Growth	14%	13%	10%	6%	4%	4%	2%	1%	1%	1%	1%	1%	-2%
Q/Q Growth		2%	2%	0%	0%		0%	1%	0%	0%			
% of total MAUs	85%	83%	81%	79%	76%	76%	73%	72%	70%	68%	68%	62%	56%
Web Only MAU													
Web Only MAU	376	359	336	315	283	283	268	237	215	195	195	169	117
Y/Y Growth	-9%	-13%	-18%	-22%	-25%	-25%	-25%	-30%	-32%	-31%	-31%	-13%	-31%
Q/Q Growth		-5%	-6%	-6%	-10%		-5%	-12%	-9%	-10%			
% of total MAUs	36%	32%	29%	26%	23%	23%	21%	18%	16%	14%	14%	11%	7%
Daily Active Users (DAU)													
US & Canada	135	139	142	144	147	147	150	150	152	154	154	158	161
Europe	169	179	182	188	195	195	203	203	207	214	214	225	235
Asia	153	167	181	189	200	200	216	226	236	252	252	300	341
Rest of World	161	180	194	208	216	216	233	251	265	280	280	346	402
Total	618	665	699	728	757	757	802	830	860	900	900	1,029	1,139
Mobile DAUs													
Mobile DAUs	374	425	469	507	556	556	609						
Y/Y Growth			60%	54%	49%		43%						
Q/Q Growth		14%	10%	8%	10%		10%						
% of Mobile MAUs	55%	57%	57%	58%	59%	59%	60%						
DAU as % of MAU													
US & Canada	70%	71%	72%	72%	73%	73%	74%	74%	74%	75%	75%	76%	76%
Europe	65%	67%	67%	68%	69%	69%	70%	71%	71%	72%	72%	74%	75%
Asia	51%	52%	53%	54%	54%	54%	55%	56%	57%	58%	58%	60%	61%
Rest of World	53%	55%	56%	57%	57%	57%	59%	60%	61%	62%	62%	66%	68%
Total	59%	60%	61%	61%	62%	62%	63%	63%	64%	65%	65%	67%	68%
Y/Y Growth													
US & Canada	7%	8%	9%	9%	9%	9%	8%	6%	6%	5%	5%	3%	2%
Europe	18%	18%	18%	18%	15%	15%	13%	12%	10%	10%	10%	5%	4%
Asia	46%	40%	40%	34%	31%	31%	29%	25%	25%	26%	26%	19%	14%
Rest of World	48%	43%	40%	37%	34%	34%	29%	29%	28%	30%	30%	23%	16%
Total	28%	26%	27%	25%	22%	22%	21%	19%	18%	19%	19%	14%	11%
Country Mix													
US & Canada	22%	21%	20%	20%	19%	19%	19%	18%	18%	17%	17%	15%	14%
Europe	27%	27%	26%	26%	26%	26%	25%	24%	24%	24%	24%	22%	21%
Asia	25%	25%	26%	26%	26%	26%	27%	27%	27%	28%	28%	29%	30%
Rest of World	26%	27%	28%	29%	28%	28%	29%	30%	31%	31%	31%	34%	35%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Source: J.P. Morgan estimates Company data.

Figure 11: Amazon Income Statement

\$ in thousands except per-share data

	2012A	3/13A	6/13A	9/13A	12/13A	2013E	3/14A	6/14E	9/14E	12/14E	2014E	2015E
Net sales	61,093,000	16,070,000	15,704,000	17,092,000	25,587,000	74,453,000	19,741,000	19,508,109	21,105,678	31,512,579	91,867,366	112,567,330
Cost of sales	45,970,000	11,801,000	11,209,000	12,366,000	18,806,000	54,182,000	14,055,000	13,713,936	15,112,062	22,994,694	65,875,693	79,841,489
Gross profit	15,123,000	4,269,000	4,495,000	4,726,000	6,781,000	20,271,000	5,686,000	5,794,173	5,993,615	8,517,885	25,991,673	32,725,841
Operating expenses												
Fulfillment	6,206,000	1,735,000	1,756,000	1,964,000	2,837,000	8,292,000	2,236,000	2,243,433	2,490,470	3,434,871	10,404,774	12,945,243
Marketing	2,346,000	616,000	651,000	671,000	1,108,000	3,046,000	843,000	838,849	907,544	1,292,016	3,881,409	4,952,963
Technology and content	4,131,000	1,263,000	1,431,000	1,580,000	1,687,000	5,961,000	1,822,000	1,814,254	1,983,934	2,174,368	7,794,556	9,680,790
General and administrative	772,000	214,000	248,000	244,000	273,000	979,000	283,000	519,290	248,391	530,392	1,581,072	2,007,982
Stock-based compensation	833,000	229,000	298,000	281,000	326,000	1,134,000	321,000	325,000	286,620	332,520	1,265,140	1,315,746
Amortization of other intangible	159,000	31,000	32,000	11,000	40,000	114,000	35,000	35,700	36,414	37,142	144,256	150,027
Restructuring related and other	-	-	-	-	-	-	-	-	-	-	-	-
Total operating expenses	14,447,000	4,088,000	4,416,000	4,751,000	6,271,000	19,526,000	5,540,000	5,776,525	5,953,372	7,801,309	25,071,206	31,052,750
Operating income	676,000	181,000	79,000	(25,000)	510,000	745,000	146,000	17,648	40,243	716,576	920,467	1,673,091
PF Operating income	1,668,000	441,000	409,000	267,000	876,000	1,993,000	502,000	378,348	363,277	1,086,238	2,329,863	3,138,864
Interest income	41,000	10,000	9,000	9,000	10,000	38,000	11,000	11,501	13,068	16,975	52,543	96,169
Interest expense	(92,000)	(33,000)	(33,000)	(36,000)	(39,000)	(141,000)	(42,000)	(33,000)	(36,000)	(39,000)	(150,000)	(150,000)
Other income, net	(80,000)	(77,000)	(38,000)	9,000	(30,000)	(136,000)	5,000	-	-	-	5,000	-
Remeasurement of 6.875% PE	-	-	-	-	-	-	-	-	-	-	-	-
Total non-operating expense	(131,000)	(100,000)	(62,000)	(18,000)	(59,000)	(239,000)	(26,000)	(21,499)	(22,932)	(22,025)	(92,457)	(53,831)
Income (loss) before equity-meth	545,000	81,000	17,000	(43,000)	451,000	506,000	120,000	(3,851)	17,311	694,551	828,010	1,619,261
Equity in losses of equity-meth	(156,000)	(17,000)	(11,000)	(10,000)	(33,000)	(71,000)	61,000	(7,700)	(7,000)	(23,100)	23,200	20,880
Income (loss) before income tax	389,000	64,000	6,000	(53,000)	418,000	435,000	181,000	(11,551)	10,311	671,451	851,210	1,640,141
Provision (benefit) for income tax	429,200	(18,000)	13,000	(12,000)	179,000	162,000	73,000	(2,310)	2,062	134,290	207,042	328,028
Effective Tax Rate	78.8%	-28.1%	216.7%	22.6%	42.8%	37.2%	40.3%	20.0%	20.0%	20.0%	24.3%	20.0%
Income before change in acctg/ F	(40,200)	82,000	(7,000)	(41,000)	239,000	273,000	108,000	(9,241)	8,249	537,161	644,168	1,312,113
Cumulative effect of change in ac	-	-	-	-	-	-	-	-	-	-	-	-
GAAP Net income (loss)	(40,200)	82,000	(7,000)	(41,000)	239,000	273,000	108,000	(9,241)	8,249	537,161	644,168	1,312,113
Basic income (loss) per share	(\$0.09)	\$0.18	(\$0.02)	(\$0.09)	\$0.52	\$0.60	\$0.23	(\$0.02)	\$0.02	\$1.16	\$1.39	\$2.83
Diluted income (loss) per sha	(\$0.09)	\$0.18	(\$0.02)	(\$0.09)	\$0.51	\$0.58	\$0.23	(\$0.02)	\$0.02	\$1.14	\$1.37	\$2.78
Basic shares outstanding	454,000	455,000	456,000	457,000	458,000	458,000	460,000	461,000	462,000	463,000	463,000	464,000
Diluted shares outstanding	461,000	463,000	456,000	457,000	467,000	467,000	468,000	469,000	470,000	471,000	471,000	472,000
Non-recurring items:												
Stock-based compensation	833,000	229,000	298,000	281,000	326,000	1,134,000	321,000	325,000	286,620	332,520	1,265,140	1,315,746
Amortization of other intangible	159,000	31,000	32,000	11,000	40,000	114,000	35,000	35,700	36,414	37,142	144,256	150,027
Restructuring related and other	-	-	-	-	-	-	-	-	-	-	-	-
Remeasurement of 6.875% PE	-	-	-	-	-	-	-	-	-	-	-	-
Equity in losses of equity-meth	156,000	17,000	11,000	10,000	33,000	71,000	(61,000)	7,700	7,000	23,100	(23,200)	(20,880)
Cum. Effect of change in acctg/	-	-	-	-	-	-	-	-	-	-	-	-
PF Net income (loss)	1,107,800	359,000	334,000	261,000	638,000	1,592,000	403,000	359,159	338,283	929,923	2,030,364	2,767,005
PF basic income (loss) per sh	\$2.44	\$0.79	\$0.73	\$0.57	\$1.39	\$3.48	\$0.88	\$0.78	\$0.73	\$2.01	\$4.39	\$5.94
PF diluted income (loss) per s	\$2.40	\$0.78	\$0.73	\$0.57	\$1.37	\$3.41	\$0.86	\$0.77	\$0.72	\$1.97	\$4.31	\$5.84
PF diluted EPS un-taxed (equiv	\$3.33	\$0.74	\$0.76	\$0.54	\$1.75	\$3.76	\$1.02	\$0.76	\$0.72	\$2.26	\$4.75	\$6.54
Basic shares outstanding	454,000	455,000	456,000	457,000	458,000	458,000	460,000	461,000	462,000	463,000	463,000	464,000
Diluted shares outstanding	461,000	463,000	456,000	457,000	467,000	467,000	468,000	469,000	470,000	471,000	471,000	472,000
EBITDA Reconciliation												
PF Operating income	1,668,000	441,000	409,000	267,000	876,000	1,993,000	502,000	378,348	363,277	1,086,238	2,329,863	3,138,864
Depreciation and other amortiz	2,158,000	700,000	756,000	834,000	963,000	3,253,000	1,010,000	982,800	1,084,200	1,251,900	4,328,900	5,194,680
EBITDA	3,826,000	1,141,000	1,165,000	1,101,000	1,839,000	5,246,000	1,512,000	1,361,148	1,447,477	2,338,138	6,658,763	8,333,544
	2012A	3/13A	6/13A	9/13A	12/13A	2013E	3/14A	6/14E	9/14E	12/14E	2014E	2015E
Y/Y Growth												
Net sales	27.1%	21.9%	22.4%	23.8%	20.3%	21.9%	22.8%	24.2%	23.5%	23.2%	23.4%	22.5%
Net sales (excluding FX impact)	28.8%	24.2%	25.4%	26.5%	21.5%	24.0%	23.3%	22.5%	22.0%	22.7%	23.4%	22.5%
Cost of sales	23.3%	17.7%	18.1%	19.8%	16.5%	17.9%	19.1%	22.3%	22.2%	22.3%	21.6%	21.2%
Gross profit	40.2%	35.2%	34.3%	35.5%	32.1%	34.0%	33.2%	28.9%	26.8%	25.6%	28.2%	25.9%
Fulfillment	39.7%	37.9%	35.3%	35.1%	29.2%	33.6%	28.9%	27.8%	26.8%	21.1%	25.5%	24.4%
Marketing	47.4%	31.6%	25.0%	28.1%	33.0%	29.8%	36.9%	28.9%	35.3%	16.6%	27.4%	27.6%
Technology and content	57.9%	46.9%	47.5%	46.3%	38.2%	44.3%	44.3%	26.8%	25.6%	28.9%	30.8%	24.2%
General and administrative	36.9%	23.0%	25.9%	23.9%	33.8%	26.8%	32.2%	109.4%	1.8%	94.3%	61.5%	27.0%
Total cash operating expenses	46.0%	38.7%	36.8%	37.0%	32.6%	35.8%	35.4%	32.5%	26.3%	25.9%	29.5%	25.0%
Operating income	-21.6%	-5.7%	-26.2%	-10.7%	25.9%	10.2%	-19.3%	-77.7%	-261.0%	40.5%	23.6%	81.8%
PF Operating income	6.0%	10.8%	13.6%	15.1%	29.2%	19.5%	13.8%	-7.5%	36.1%	24.0%	16.9%	34.7%
GAAP Net income	-106.4%	-36.9%	-202.9%	-85.0%	146.4%	-779.1%	31.7%	32.0%	-120.1%	124.8%	136.0%	103.7%
PF Net income	-18.2%	45.3%	15.3%	68.4%	53.4%	43.7%	12.3%	7.5%	29.6%	45.8%	27.5%	35.8%
GAAP EPS	-106.4%	-37.3%	-203.4%	-84.9%	143.2%	-770.4%	30.3%	28.4%	-119.6%	122.8%	134.0%	103.3%
PF EPS	-18.3%	44.4%	15.8%	69.5%	51.4%	41.9%	11.1%	4.6%	26.0%	44.5%	26.5%	35.5%
PF diluted FT EPS (normalized)	-6.7%	16.8%	-12.7%	5.3%	32.2%	12.7%	38.1%	0.0%	32.9%	29.2%	26.5%	37.6%
EBITDA	44.1%	33.5%	37.9%	40.1%	37.2%	37.1%	32.5%	16.8%	31.5%	27.1%	26.9%	25.2%
Sequential Growth												
Net sales	-	-24.4%	-2.3%	8.8%	49.7%	-	-22.8%	-	-	-	-	-
% of Revenues												
Cost of sales	75.2%	73.4%	71.4%	72.3%	73.5%	72.8%	71.2%	70.3%	71.6%	73.0%	71.7%	70.9%
Fulfillment	10.2%	10.8%	11.2%	11.5%	11.1%	11.1%	11.3%	11.5%	11.8%	10.9%	11.3%	11.5%
Marketing	3.8%	3.8%	4.1%	3.9%	4.3%	4.1%	4.3%	4.3%	4.3%	4.1%	4.2%	4.4%
Technology and content	6.8%	7.9%	9.1%	9.2%	6.6%	8.0%	9.2%	9.3%	9.4%	6.9%	8.5%	8.6%
General and administrative	1.3%	1.3%	1.6%	1.4%	1.1%	1.7%	1.4%	2.7%	1.2%	1.7%	1.7%	1.8%
Total cash operating expenses	22.0%	23.8%	26.0%	26.1%	23.1%	24.5%	26.3%	27.8%	26.7%	23.6%	25.8%	26.3%
% of Gross Profit												
Fulfillment	41.0%	40.6%	39.1%	41.6%	41.8%	40.9%	39.3%	38.7%	41.6%	40.3%	40.0%	39.6%
Marketing	15.5%	14.4%	14.5%	14.2%	16.3%	15.0%	14.8%	14.5%	15.1%	15.2%	14.9%	15.1%
Technology and content	27.3%	29.6%	31.8%	33.4%	24.9%	29.4%	32.0%	31.3%	33.1%	25.5%	30.0%	29.6%
General and administrative	5.1%	5.0%	5.5%	5.2%	4.0%	4.8%	5.0%	9.0%	4.1%	6.2%	6.1%	6.1%
Margins												
Gross margin	24.8%	26.6%	28.6%	27.7%	26.5%	27.2%	28.8%	29.7%	28.4%	27.0%	28.3%	29.1%
Operating margin	1.1%	1.1%	0.5%	-0.1%	2.0%	1.0%	0.7%	0.1%	0.2%	2.3%	1.0%	1.5%
PF Operating margin	2.7%	2.7%	2.6%	1.6%	3.4%	2.7%	2.5%	1.9%	1.7%	3.4%	2.5%	2.8%
EBITDA margin	6.3%	7.1%	7.4%	6.4%	7.2%	7.0%	7.7%	7.0%	6.9%	7.4%	7.2%	7.4%
PF Operating Profit/Gross Profit	11.0%	10.3%	9.1%	5.6%	12.9%	9.8%	8.8%	6.5%	6.1%	12.8%	9.0%	9.6%
Operating Leverage (												

Figure 12: Amazon Segment Breakdown

	2012A	3/13A	6/13A	9/13A	12/13A	2013E	3/14A	6/14E	9/14E	12/14E	2014E	2015E
NET SALES												
North America												
Media	9,189,000	2,513,000	2,173,000	2,609,000	3,513,000	10,808,000	2,825,000	2,433,760	2,922,080	3,934,560	12,115,400	13,993,287
% change	15.5%	14.4%	16.0%	17.8%	21.0%	17.6%	12.4%	12.0%	12.0%	12.0%	12.1%	15.5%
Electronics and other general merchandise	23,273,000	6,128,000	6,478,000	6,732,000	10,648,000	29,986,000	7,829,000	8,162,280	8,482,320	13,629,440	38,103,040	47,438,285
% change	34.4%	28.4%	31.2%	33.0%	25.2%	28.8%	27.8%	26.0%	26.0%	28.0%	27.1%	24.5%
% change (Organic)												
% change												
Other	2,350,000	750,000	844,000	960,000	1,170,000	3,724,000	1,204,000	1,350,400	1,488,000	1,766,700	5,809,100	8,597,468
% change	64.2%	63.8%	63.9%	57.9%	52.1%	58.5%	60.5%	60.0%	55.0%	51.0%	56.0%	48.0%
Total North America Sales	34,812,000	9,391,000	9,495,000	10,301,000	15,331,000	44,518,000	11,858,000	11,946,440	12,892,400	19,330,700	56,027,540	70,029,040
% change	30.4%	26.4%	29.6%	30.7%	25.9%	27.9%	26.3%	25.8%	25.2%	26.1%	25.9%	25.0%
% change, ex-FX impact	30.4%	26.4%	29.6%	30.7%	25.9%	27.9%	26.3%	25.8%	25.2%	26.1%	25.9%	25.0%
International												
Media	10,754,000	2,545,000	2,224,000	2,424,000	3,714,000	10,907,000	2,642,000	2,431,692	2,636,923	4,057,508	11,768,123	12,944,935
% change	9.5%	1.3%	-0.9%	1.6%	2.9%	1.4%	3.8%	9.3%	8.8%	9.2%	7.9%	10.0%
% change, ex-FX impact	12.4%	7.0%	7.0%	9.0%	6.0%	7.1%	4.0%	5.0%	5.0%	8.0%	6.0%	10.0%
Electronics and other general merchandise	15,355,000	4,086,000	3,937,000	4,316,000	6,478,000	18,817,000	5,188,000	5,072,378	5,515,155	8,048,851	23,824,383	29,303,992
% change	34.7%	27.6%	22.1%	23.4%	19.3%	22.5%	27.0%	28.8%	27.8%	24.2%	26.6%	23.0%
% change, ex-FX impact	39.6%	32.0%	29.0%	28.0%	21.0%	26.6%	26.0%	24.5%	24.0%	23.0%	24.6%	23.0%
Other	172,000	48,000	48,000	51,000	64,000	211,000	53,000	57,600	61,200	75,520	247,320	289,364
% change	11.0%	14.3%	23.1%	27.5%	25.5%	22.7%	10.4%	20.0%	20.0%	18.0%	17.2%	17.0%
% change, ex-FX impact	14.8%	18.0%	27.0%	32.0%	25.0%	26.6%	11.0%	20.0%	20.0%	18.0%	15.2%	17.0%
Total International Sales	26,281,000	6,679,000	6,209,000	6,791,000	10,256,000	29,935,000	7,883,000	7,561,669	8,213,278	12,181,879	35,839,826	42,538,291
% change	23.0%	16.0%	12.7%	14.7%	12.8%	13.9%	18.0%	21.8%	20.9%	18.8%	19.7%	18.7%
% change, ex-FX impact	26.9%	21.0%	20.0%	20.4%	15.1%	18.6%	19.1%	17.4%	17.2%	17.5%	17.8%	18.7%
Total Consolidated Sales												
Media	19,943,000	5,058,000	4,397,000	5,033,000	7,227,000	21,715,000	5,467,000	4,865,452	5,559,003	7,992,068	23,883,523	26,938,222
% change	12.2%	7.4%	6.7%	9.4%	10.9%	8.9%	8.1%	10.7%	10.5%	10.6%	10.0%	12.8%
% change, ex-FX impact	14.0%	10.0%	11.0%	13.0%	13.0%	11.9%	8.0%	8.5%	8.6%	9.9%	9.0%	12.8%
Electronics and other general merchandise	38,628,000	10,214,000	10,415,000	11,048,000	17,126,000	48,803,000	13,017,000	13,234,658	13,997,475	21,678,291	61,927,423	76,742,276
% change	34.5%	28.1%	27.6%	29.1%	22.9%	26.3%	27.4%	27.1%	26.7%	26.6%	26.9%	23.9%
% change, ex-FX impact	36.6%	30.0%	30.0%	31.0%	24.0%	28.1%	27.0%	25.4%	25.2%	26.1%	26.1%	23.9%
Other	2,522,000	798,000	892,000	1,011,000	1,234,000	3,935,000	1,257,000	1,408,000	1,549,200	1,842,220	6,056,420	8,886,832
% change	59.0%	59.6%	61.0%	56.0%	50.5%	56.0%	57.5%	57.8%	53.2%	49.3%	53.9%	46.7%
% change, ex-FX impact	60.4%	60.0%	61.0%	56.0%	50.0%	55.9%	58.0%	57.6%	53.0%	49.2%	53.8%	46.7%
Total Consolidated Sales	61,093,000	16,070,000	15,704,000	17,092,000	25,587,000	74,453,000	19,741,000	19,508,109	21,105,678	31,512,579	91,867,366	112,567,330
% change Y/Y	27.1%	21.9%	22.4%	23.8%	20.3%	21.9%	22.8%	24.2%	23.5%	23.2%	23.4%	22.5%
% change Q/Q		-24.4%	-2.3%	8.8%	49.7%		-22.8%	-1.2%	8.2%	49.3%		
% change, ex-FX impact	28.8%	24.2%	25.4%	26.5%	21.5%	24.0%	23.3%	22.5%	22.0%	22.7%	22.6%	22.5%
GROSS PROFIT												
North America												
Media	9,945,072	2,958,165	3,085,875	3,183,009	4,599,300	13,826,349	3,853,850	4,002,057	4,022,429	5,837,871	17,716,208	22,899,496
% change	46%	40%	48%	40%	33%	39%	30%	30%	26%	27%	28%	29%
% margin	28.6%	31.5%	32.5%	30.9%	30.0%	31.1%	32.5%	33.5%	31.2%	30.2%	31.6%	32.7%
International												
Media	5,177,928	1,310,835	1,409,125	1,542,991	2,181,700	6,444,651	1,832,150	1,792,116	1,971,187	2,680,013	8,275,466	9,826,345
% change	30%	26%	12%	27%	31%	24%	40%	27%	28%	23%	28%	19%
% margin	19.7%	19.6%	22.7%	22.7%	21.3%	21.5%	23.2%	23.7%	24.0%	22.0%	23.1%	23.1%
% change ex-FX	35%	33.6%	20.9%	35.4%	35.4%	32%	41%	22%	23%	21%	26%	19%
Total Consolidated	15,123,000	4,269,000	4,495,000	4,726,000	6,781,000	20,271,000	5,686,000	5,794,173	5,993,615	8,517,885	25,991,673	32,725,841
% change	40%	35%	34%	36%	32%	34%	33%	29%	27%	28%	26%	26%
% margin	24.8%	26.6%	28.6%	27.7%	26.5%	27.2%	28.8%	29.7%	28.4%	27.0%	28.3%	29.1%
FX Benefit (Negative Impact)	-215,173	(80,226)	(112,203)	(103,612)	(68,374)	-364,417	-19,850	80,012	72,974	34,625	167,760	
% change ex-FX	42%	38%	38%	39%	33%	36%	34%	27%	25%	25%	27%	26%
CASH OPERATING EXPENSES												
North America												
Media	8,353,072	2,501,165	2,676,875	2,888,009	3,874,300	11,940,349	3,291,850	3,548,093	3,609,872	4,909,998	15,359,812	19,888,247
% change	43%	41%	53%	46%	35%	43%	32%	33%	25%	27%	29%	29%
% of sales	24.0%	26.6%	28.2%	28.0%	25.3%	26.8%	27.8%	29.7%	28.0%	25.4%	27.4%	28.4%
International												
Media	5,101,928	1,326,835	1,409,125	1,570,991	2,030,700	6,337,651	1,892,150	1,867,732	2,020,466	2,521,649	8,301,998	9,698,730
% change	52%	34%	13%	23%	28%	24%	43%	33%	29%	24%	31%	17%
% of sales	19.4%	19.9%	22.7%	23.1%	19.8%	21.2%	24.0%	24.7%	24.6%	20.7%	23.2%	22.8%
Total Consolidated	13,455,000	3,828,000	4,086,000	4,459,000	5,905,000	18,278,000	5,184,000	5,415,825	5,630,338	7,431,647	23,661,810	29,586,978
% change	46%	39%	37%	37%	33%	36%	35%	33%	26%	26%	29%	25%
% of sales	22.0%	23.8%	26.0%	26.1%	23.1%	24.5%	26.3%	27.8%	26.7%	23.6%	25.8%	26.3%
PF OPERATING INCOME												
North America												
Media	1,592,000	457,000	409,000	295,000	725,000	1,886,000	562,000	453,965	412,557	927,874	2,356,395	3,011,249
% change	71%	31%	19%	1%	19%	18%	23%	11%	40%	28%	25%	28%
% margin	4.6%	4.9%	4.3%	2.9%	4.7%	4.2%	4.7%	3.8%	3.2%	4.8%	4.2%	4.3%
International												
Media	76,000	(16,000)	0	(28,000)	151,000	107,000	(60,000)	(75,617)	(49,280)	158,364	(26,532)	127,615
% change	-88%	-133%	-100%	-53%	116%	41%	275%	--	76%	5%	-125%	-581%
% margin	0.3%	-0.2%	0.0%	-0.4%	1.5%	0.4%	-0.8%	-1.0%	-0.6%	1.3%	-0.1%	0.3%
% change ex-FX	-85%	-133%	-100%	-53%	116%	41%	275%	--	76%	5%	-125%	-581%
Total Consolidated	1,668,000	441,000	409,000	267,000	876,000	1,993,000	502,000	378,348	363,277	1,086,238	2,329,863	3,138,864
% change	6%	11%	14%	15%	29%	19%	14%	-7%	36%	24%	17%	35%
% margin	2.7%	2.7%	2.6%	1.6%	3.4%	2.7%	2.5%	1.9%	1.7%	3.4%	2.5%	2.8%
FX Benefit (Negative Impact)	(21,000)					-						
% change ex-FX	7%	11%	14%	15%	29%	19%	14%	-7%	36%	24%	17%	35%

Source: J.P. Morgan estimates Company data.

Figure 13: Priceline Income Statement

	2012A	3/13A	6/13A	9/13A	12/13A	2013A	3/14A	6/14E	9/14E	12/14E	2014E	2015E	2016E
Merchant revenues	2,104,752	528,564	580,224	620,904	481,782	2,211,474	526,998	585,365	693,744	595,318	2,401,425	2,936,811	3,374,572
Agency revenues	3,142,814	769,928	1,064,640	1,576,434	999,687	4,410,689	1,041,144	1,470,181	2,060,695	1,265,364	5,837,385	7,263,719	8,729,869
Advertising and Other Revenues	13,390	3,520	35,374	72,565	99,684	171,143	73,660	79,129	78,528	65,475	297,192	333,331	351,235
Total Revenues	5,260,956	1,302,012	1,680,238	2,269,903	1,581,153	6,793,306	1,641,802	2,134,674	2,833,368	1,926,157	8,536,001	10,533,861	12,455,676
Cost of Revenues	1,177,275	292,347	296,383	280,838	207,652	1,077,420	235,331	293,889	286,758	294,283	1,110,261	1,357,950	1,470,945
Gross Profit	4,083,681	1,030,215	1,383,855	1,989,065	1,333,301	5,736,436	1,406,471	1,840,786	2,546,609	1,631,874	7,425,740	9,175,910	10,984,731
Operating expenses:													
Advertising - offline	35,493	27,729	32,130	39,891	27,709	127,459	53,474	64,427	73,852	45,692	237,446	293,629	285,603
Advertising - online	1,273,637	403,153	463,135	533,164	399,193	1,798,645	520,848	635,071	687,585	489,562	2,333,066	2,844,532	3,273,450
% of total spent online	97.3%	93.6%	93.5%	93.0%	93.5%	93.4%	90.7%	90.8%	90.3%	91.5%	90.8%	90.6%	92.0%
Total advertising	1,309,130	430,882	495,265	573,055	426,902	1,926,104	574,322	699,499	761,436	535,255	2,570,511	3,138,161	3,559,053
Sales and marketing	195,934	52,263	59,855	65,274	58,425	235,817	64,311	84,676	96,771	81,594	327,352	394,564	439,389
Personnel	395,263	112,509	131,261	151,892	162,504	558,166	155,728	176,715	193,542	171,347	697,333	853,360	1,010,595
General and administrative	173,171	50,161	64,921	63,113	74,799	252,994	72,981	84,676	96,771	89,753	344,181	403,740	439,389
Information technology	43,685	13,222	16,959	18,536	23,173	71,890	23,224	25,771	25,466	26,110	100,571	100,935	120,832
Stock compensation expense	71,565	21,709	34,736	34,551	49,530	140,526	38,803	47,860	50,932	65,275	202,871	275,277	340,527
Depreciation & amortization	65,140	19,080	26,027	35,747	37,121	117,975	38,376	38,596	38,945	40,104	156,022	170,793	184,306
Total operating expenses	2,253,888	699,826	829,024	942,168	832,454	3,303,472	967,745	1,157,794	1,263,864	1,009,437	4,398,841	5,336,830	6,094,091
GAAP Operating Income (loss)	1,829,793	309,839	554,831	1,046,897	500,847	2,412,414	438,726	682,992	1,282,745	622,437	3,026,899	3,839,080	4,890,640
PF Operating Income (loss)	1,949,806	361,376	589,567	1,089,284	566,788	2,607,015	477,529	730,852	1,333,677	687,712	3,229,770	4,114,357	5,231,167
Other income (expense):													
Interest income	3,860	874	1,141	867	1,285	4,167	1,041	1,483	1,127	1,671	5,322	6,918	8,994
Interest expense	(62,063)	(17,329)	(19,633)	(24,135)	(22,192)	(83,289)	(17,745)	(16,195)	(16,195)	(16,195)	(66,330)	(64,780)	(64,780)
Other/Foreign Currency transactions	(9,720)	(2,942)	(782)	(3,278)	(29,753)	(36,755)	(5,969)						
Total other income (expense)	(67,923)	(19,397)	(19,274)	(26,546)	(50,660)	(115,877)	(22,673)	(14,712)	(15,068)	(14,525)	(61,008)	(57,862)	(55,786)
Earnings (loss) before taxes & minority interests	1,761,870	290,442	535,557	1,020,351	450,187	2,296,537	416,053	668,280	1,267,677	607,912	2,965,891	3,781,218	4,834,854
Income tax benefit (expense)	(337,832)	(46,150)	(98,117)	(187,362)	(72,110)	(403,739)	(84,835)	(100,242)	(202,828)	(103,345)	(491,250)	(661,713)	(846,099)
Effective tax rate	19.2%	15.9%	18.3%	18.4%	16.0%	17.6%	20.4%	15.0%	16.6%	17.0%	16.6%	17.5%	17.5%
Equity in income(loss) of investees & minority interests	(4,472)	(21)	(114)	-	-	(135)	-	-	-	-	-	-	-
Net income (loss)	1,419,566	244,271	437,326	832,989	378,077	1,892,663	331,218	568,038	1,064,849	504,567	2,474,641	3,119,505	3,988,754
Pref. stock div./Net inc. attr. to non-controlling interests													
GAAP Net Income (loss)	\$1,419,566	\$244,271	\$437,326	\$832,989	\$378,077	\$1,892,663	\$331,218	\$568,038	\$1,064,849	\$504,567	\$2,474,641	\$3,119,505	\$3,988,754
GAAP Net Income (loss) per share - Basic	\$28.48	\$4.89	\$8.32	\$16.22	\$7.32	\$37.17	\$6.35	\$10.84	\$20.22	\$9.53	\$47.10	\$59.07	\$75.16
GAAP Net Income (loss) per share - Diluted	\$27.71	\$4.76	\$8.39	\$15.72	\$7.14	\$36.16	\$6.25	\$10.66	\$19.89	\$9.38	\$46.33	\$58.11	\$73.93
Weighted average common shares:													
GAAP Basic	49,840	49,939	50,760	51,363	51,632	50,924	52,153	52,414	52,676	52,939	52,545	52,808	53,072
GAAP Diluted	51,250	51,353	52,111	52,984	52,938	52,347	53,018	53,283	53,550	53,817	53,417	53,684	53,952
PRO FORMA RECONCILIATION													
PF Adjusted Net Income (loss)	1,612,229	297,234	508,251	920,091	471,117	2,196,693	416,478	649,325	1,154,831	612,048	2,832,682	3,558,318	4,504,746
PF Adjusted Diluted EPS	\$31.30	\$5.76	\$9.70	\$17.30	\$8.85	\$41.62	\$7.81	\$12.12	\$21.45	\$11.31	\$52.68	\$65.91	\$83.03
PF Adjusted diluted shares outstanding	51,534	51,568	52,395	53,193	53,210	52,582	53,325	53,583	53,850	54,117	53,719	53,987	54,257
EBITDA Reconciliation													
Operating income (GAAP)	1,829,793	309,839	554,831	1,046,897	500,847	2,412,414	438,726	682,992	1,282,745	622,437	3,026,899	3,839,080	4,890,640
Depreciation & amortization	65,140	19,080	26,027	35,747	37,121	117,975	38,376	38,596	38,945	40,104	156,022	170,793	184,306
Stock compensation & option payroll tax expense	71,565	21,709	34,736	34,551	49,530	140,526	38,803	47,860	50,932	65,275	202,871	275,277	340,527
One time items	6,406	17,608	5,662	(3,278)	(9,403)	10,589	(2,573)	-	-	-	(2,573)	-	-
Pro Forma EBITDA	1,972,904	368,236	621,256	1,113,917	578,095	2,681,504	513,332	769,448	1,372,622	727,816	3,383,219	4,285,150	5,415,472
Y/Y GROWTH													
Merchant revenues	5.0%	6.5%	5.3%	6.1%	2.0%	5.1%	-0.3%	0.9%	11.7%	23.6%	8.6%	22.3%	14.9%
Agency revenues	34.4%	43.2%	37.9%	41.0%	39.8%	40.3%	35.2%	38.1%	30.7%	26.6%	32.3%	24.4%	20.2%
Other revenues	12.3%	9.6%	14.3%	29.6%	45.2%	24.3%	32.4%	13.0%	11.0%	13.0%	16.6%	11.5%	10.0%
Revenue	20.8%	25.5%	26.6%	33.0%	29.4%	29.1%	26.1%	27.0%	24.8%	25.0%	25.7%	23.4%	18.2%
Cost of revenues	-7.7%	-0.5%	-6.1%	-9.4%	-17.2%	-8.5%	-19.5%	-0.8%	2.1%	41.6%	3.0%	22.3%	8.3%
Gross Profit	32.6%	38.6%	37.8%	42.4%	41.9%	40.5%	36.5%	33.0%	28.0%	22.4%	29.4%	23.6%	19.7%
Advertising - Offline	0.1%	148.5%	223.8%	372.6%	363.9%	259.1%	92.8%	100.5%	85.1%	64.9%	86.3%	23.7%	-2.7%
Advertising - Online	38.6%	45.5%	47.3%	42.1%	30.1%	41.2%	29.2%	37.1%	29.0%	22.6%	29.7%	21.9%	15.1%
Total Advertising	37.1%	49.5%	52.7%	49.4%	36.5%	47.1%	33.3%	41.2%	32.9%	25.4%	33.5%	22.1%	13.4%
Sales and marketing expense	20.4%	14.8%	26.2%	23.2%	16.9%	20.4%	23.1%	41.5%	48.3%	39.7%	38.8%	20.5%	11.4%
Personnel	37.9%	33.7%	45.2%	29.1%	57.7%	41.2%	38.4%	34.6%	27.4%	5.4%	24.9%	22.4%	18.4%
General & administrative expense	40.0%	23.3%	63.1%	49.2%	48.4%	46.1%	45.5%	30.4%	53.3%	20.0%	36.0%	17.3%	8.8%
Information technology expense	29.2%	23.2%	62.4%	71.6%	97.9%	64.6%	75.6%	52.0%	37.4%	12.7%	39.9%	0.4%	19.7%
Total Operating expense	34.1%	39.5%	51.9%	47.0%	47.2%	46.6%	38.3%	39.7%	34.1%	21.3%	33.2%	21.3%	14.2%
PF Operating Income	30.2%	35.7%	21.8%	39.5%	35.5%	33.7%	32.1%	24.0%	22.4%	21.3%	23.9%	27.4%	27.1%
PF Adjusted Net Income	33.4%	34.6%	25.6%	44.2%	35.2%	36.3%	40.1%	27.8%	25.5%	29.9%	29.0%	25.6%	26.6%
PF Adjusted EPS (diluted)	33.3%	34.8%	23.6%	39.5%	30.7%	33.0%	35.5%	24.9%	24.0%	27.7%	26.6%	25.1%	26.0%
EBITDA	30.6%	35.8%	25.5%	42.6%	35.8%	35.9%	39.4%	23.9%	23.2%	25.9%	26.2%	26.7%	26.4%
% OF PRO FORMA GROSS PROFIT													
Advertising - offline	0.9%	2.7%	2.3%	2.0%	2.1%	2.2%	3.8%	3.5%	2.9%	2.8%	3.2%	3.2%	2.8%
Advertising - online	31.2%	39.1%	33.5%	26.8%	29.9%	31.4%	37.0%	34.5%	27.0%	30.0%	31.4%	31.0%	29.8%
Total Advertising	32.1%	41.8%	35.8%	28.8%	32.0%	33.6%	40.8%	38.0%	29.9%	32.8%	34.6%	34.2%	32.4%
Sales and marketing	4.8%	5.1%	4.3%	3.3%	4.4%	4.1%	4.6%	4.6%	3.8%	5.0%	4.4%	4.3%	4.0%
Personnel	9.7%	10.9%	9.5%	7.6%	12.2%	9.7%	11.1%	9.6%	7.6%	10.5%	9.4%	9.3%	9.2%
General and administrative	4.2%	4.9%	4.7%	3.2%	5.6%	4.4%	5.2%	4.6%	3.8%	5.5%	4.6%	4.4%	4.0%
Information technology	1.1%	1.3%	1.2%	0.9%	1.7%	1.3%	1.7%	1.4%	1.0%	1.6%	1.4%	1.1%	1.1%
Stock compensation expense	1.8%	2.1%	2.5%	1.7%	3.7%	2.4%	2.8%	2.6%	2.0%	4.0%	2.7%	3.0%	3.1%
MARGINS													
Gross margin	77.6%	79.1%	82.4%	87.6%	86.5%	84.4%	85.7%	86.2%	89.9%	84.7%	87.0%	87.1%	88.2%
Merchant margin	44.1%	44.7%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Agency gross margin	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Operating margin (on PF revenue)	34.8%	23.8%	33.0%	46.1%	32.5%								

Figure 14: Priceline Revenue Drivers

	2012A	3/13A	6/13A	9/13A	12/13A	2013A	3/14A	6/14E	9/14E	12/14E	2014E	2015E	2016E
Revenue	5,260,956	1,302,012	1,680,238	2,269,903	1,486,153	6,738,306	1,641,802	2,134,674	2,833,368	1,926,157	8,536,001	10,533,861	12,455,675
Y/Y growth	20.8%	25.5%	26.6%	33.0%	24.8%	28.1%	26.1%	27.0%	24.8%	29.6%	26.7%	23.4%	18.2%
Y/Y growth, ex-FX impact	25.5%	25.6%	26.2%	28.9%	25.3%	26.8%	27.2%	27.0%	24.8%	29.6%	26.9%	23.4%	18.2%
Q/Q growth		9.4%	29.0%	35.1%	-34.5%		10.5%	30.0%	32.7%	-32.0%			
Gross Bookings by Geography													
Domestic	5,086,000	1,370,000	1,538,000	1,586,000	1,379,000	5,873,000	1,637,000	1,807,845	1,764,464	1,481,888	6,691,197	7,334,012	7,941,097
Y/Y growth	7.1%	8.7%	11.7%	16.7%	26.5%	15.5%	19.5%	17.5%	11.3%	7.5%	13.9%	9.6%	8.3%
Q/Q growth		25.7%	12.3%	3.1%	-13.1%		18.7%	10.4%	-2.4%	-16.0%			
% of total bookings	17.9%	15.0%	15.2%	14.7%	15.1%	15.0%	13.3%	13.5%	12.7%	12.7%	13.1%	11.6%	10.5%
International	23,370,000	7,783,000	8,579,000	9,179,000	7,758,000	33,299,000	10,643,000	11,601,067	12,116,280	10,162,980	44,523,327	55,654,158	67,341,531
Y/Y growth	38.2%	42.8%	44.1%	41.8%	41.2%	42.5%	36.7%	35.2%	32.0%	31.0%	33.7%	25.0%	21.0%
Foreign Exchange Impact Y/Y	(1,263,022)	(11,930)	41,505	363,957	(43,480)	350,051	(97,540)	190,997	-	-	93,457		
FX - Neutral Int'l Gross Bookings	24,633,022	7,794,930	8,570,880	9,126,930	7,801,480	33,294,220	10,740,540	11,410,070	12,116,280	10,162,980	44,429,870	55,654,158	67,341,531
Y/Y growth, ex-FX impact	45.7%	43.0%	44.0%	41.0%	42.0%	42.5%	38.0%	33.0%	32.0%	31.0%	33.4%	25.0%	21.0%
Q/Q growth		41.7%	10.2%	7.0%	-15.5%		37.2%	9.0%	4.4%	-16.1%			
% of total bookings	82.1%	85.0%	84.8%	85.3%	84.9%	85.0%	86.7%	86.5%	87.3%	87.3%	86.9%	88.4%	89.5%
Total Gross Bookings	28,456,000	9,153,000	10,117,000	10,765,000	9,137,000	39,172,000	12,280,000	13,408,912	13,880,744	11,644,868	51,214,524	62,988,171	75,282,628
Y/Y growth	31.4%	36.4%	38.0%	37.4%	38.8%	37.7%	34.2%	32.5%	28.9%	27.4%	30.7%	23.0%	19.5%
FX - Neutral Revenue	29,719,022	9,164,930	10,108,880	10,712,930	9,180,480	39,167,220	12,377,540	13,217,915	13,880,744	11,644,868	51,121,067	62,988,171	75,282,628
Y/Y growth, ex-FX impact	37.2%	36.6%	37.9%	36.8%	39.4%	37.6%	35.2%	30.7%	28.9%	27.4%	30.5%	23.0%	19.5%
Q/Q growth		39.0%	10.5%	6.4%	-15.1%		34.4%	9.2%	3.5%	-16.1%			
Gross Bookings by Agency/Merchant													
Agency	23,284,000	7,648,000	8,425,000	9,023,000	7,576,000	32,672,000	10,516,000	11,433,516	11,685,395	9,621,390	43,256,301	52,534,763	62,655,196
Y/Y growth	32.2%	38.4%	39.7%	40.5%	42.9%	40.3%	37.5%	35.7%	29.5%	27.0%	32.4%	21.4%	19.3%
Q/Q growth		44.2%	10.2%	7.1%	-16.0%		38.8%	8.7%	2.2%	-17.7%			
% of total bookings	81.8%	83.6%	83.3%	83.8%	82.9%	83.4%	85.6%	85.3%	84.2%	82.6%	84.5%	83.4%	83.2%
Merchant	5,172,000	1,505,000	1,692,000	1,742,000	1,562,000	6,501,000	1,764,000	1,975,396	2,195,349	2,023,478	7,958,222	10,453,407	12,627,432
Y/Y growth	27.8%	27.1%	30.4%	23.7%	21.8%	25.7%	17.2%	16.7%	26.0%	29.5%	22.4%	31.4%	20.8%
Q/Q growth		17.4%	12.4%	3.0%	-10.3%		12.9%	12.0%	11.1%	-7.8%			
% of total bookings	18.2%	16.4%	16.7%	16.2%	17.1%	16.6%	14.4%	14.7%	15.8%	17.4%	15.5%	16.6%	16.8%
Total Gross Bookings	28,456,000	9,153,000	10,117,000	10,765,000	9,138,000	39,173,000	12,280,000	13,408,912	13,880,744	11,644,868	51,214,524	62,988,171	75,282,628
Y/Y growth	31.4%	36.4%	38.0%	37.5%	38.8%	37.7%	34.2%	32.5%	28.9%	27.4%	30.7%	23.0%	19.5%
Q/Q growth		39.0%	10.5%	6.4%	-15.1%		34.4%						
% of total bookings	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Revenue by Agency/Merchant													
Agency	3,142,814	769,928	1,064,640	1,576,434	999,687	4,410,689	1,041,144	1,470,181	2,060,695	1,265,364	5,837,385	7,263,719	8,729,869
Y/Y growth	34.4%	43.2%	37.9%	41.0%	39.8%	40.3%	35.2%	38.1%	30.7%	26.6%	32.3%	24.4%	20.2%
Q/Q growth		7.7%	38.3%	48.1%	-36.6%		4.1%	41.2%	40.2%	-38.6%			
As % of Agency bookings	13.5%	10.1%	12.6%	17.5%	13.2%	13.5%	9.9%	12.9%	17.6%	13.2%	13.5%	13.8%	13.9%
% of total revenue	59.7%	59.1%	63.4%	69.4%	67.3%	66.0%	63.4%	68.9%	72.7%	65.7%	68.4%	69.0%	70.1%
Merchant	2,104,752	528,564	580,224	620,904	481,782	2,156,474	526,998	585,365	693,744	595,318	2,401,425	2,936,811	3,374,572
Y/Y growth	5.0%	6.5%	5.3%	6.1%	2.0%	2.5%	-0.3%	0.9%	11.7%	23.6%	11.4%	22.3%	14.9%
Q/Q growth		11.9%	9.8%	7.0%	-22.4%		9.4%	11.1%	18.5%	-14.2%			
As % of Merchant bookings	40.7%	35.1%	34.3%	35.6%	30.8%	33.2%	29.9%	29.6%	31.6%	29.4%	30.2%	28.1%	26.7%
% of total revenue	40.0%	40.6%	34.5%	27.4%	32.4%	32.3%	32.1%	27.4%	24.5%	30.9%	28.1%	27.9%	27.1%
Other	13,390	3,520	4,274	4,165	4,684	16,643	4,660	4,830	4,623	5,293	19,406	21,637	23,801
Y/Y growth	12.3%	9.6%	14.3%	29.6%	45.2%	24.3%	32.4%	13.0%	11.0%	13.0%	16.6%	11.5%	10.0%
Q/Q growth		9.1%	21.4%	-2.6%	12.5%		-0.5%	3.6%	-4.3%	14.5%			
% of total revenue	0.3%	0.3%	0.3%	0.2%	0.3%	0.2%	0.3%	0.2%	0.2%	0.3%	0.2%	0.2%	0.2%
Advertising and Other	13,390	3,520	35,374	72,565	4,684	116,143	73,660	79,129	78,928	65,475	297,192	333,331	351,235
Y/Y growth	12.3%	9.6%	846.1%	2158.5%	45.2%	767.4%	1992.6%	123.7%	8.8%	1297.8%	155.9%		
Q/Q growth		9.1%	904.9%	105.1%	-93.5%		1472.6%	7.4%	-0.3%	-17.0%			
% of total revenue	0.3%	0.3%	2.1%	3.2%	0.3%	1.7%	4.5%	3.7%	2.8%	3.4%	3.5%		
Total Revenue	5,260,956	1,302,012	1,680,238	2,269,903	1,486,153	6,683,306	1,641,802	2,134,674	2,833,368	1,926,157	8,536,001	10,533,861	12,455,675
Y/Y growth	20.8%	25.5%	26.6%	33.0%	24.8%	27.0%	26.1%	27.0%	24.8%	29.6%	27.7%	23.4%	18.2%
Q/Q growth		9.4%	29.0%	35.1%	-34.5%		10.5%						

Source: J.P. Morgan estimates Company data.

Figure 15: eBay Income Statement

\$ in thousands except per-share data

	2012A	3/13A	6/13A	9/13A	12/13A	2013A	3/14A	6/14E	9/14E	12/14E	2014E	2015E	2016E
Net revenues	14,071,000	3,748,000	3,877,000	3,892,000	4,530,000	16,047,000	4,262,000	4,381,220	4,404,674	5,178,949	18,226,843	20,740,103	23,676,121
Cost of net revenues	4,083,000	1,121,000	1,169,000	1,196,000	1,394,000	4,880,000	1,310,000	1,340,653	1,365,449	1,584,758	5,800,861	6,450,172	7,529,006
Gross profit	9,988,000	2,627,000	2,708,000	2,696,000	3,136,000	11,167,000	2,952,000	3,040,567	3,039,225	3,594,191	12,625,983	14,289,931	16,147,114
Operating expenses													
Sales and marketing	2,778,000	664,000	730,000	717,000	790,000	2,901,000	763,000	854,338	850,102	994,358	3,461,798	3,961,360	4,451,111
Product development	1,435,000	402,000	405,000	391,000	383,000	1,581,000	429,000	473,172	447,074	492,000	1,841,246	2,115,491	2,414,964
General and administrative	1,353,000	361,000	361,000	363,000	403,000	1,488,000	411,000	407,453	409,635	460,926	1,689,015	1,908,089	2,107,175
Provision for transaction & loan losses	581,000	175,000	193,000	185,000	238,000	791,000	204,000	219,061	211,424	248,590	883,075	995,525	1,112,778
Payroll expense on employee stock options	22,000	14,000	7,000	1,000	2,000	24,000	15,000	1,500	1,500	1,500	19,500	6,000	6,000
Patent litigation expense	-	-	-	-	-	-	-	-	-	-	-	-	-
Restructuring expense	31,000,000	-	-	-	7,000,000	7,000,000	-	-	-	-	-	-	-
Amortization of acquired intangible assets	412,000	100,000	101,000	100,000	94,000	395,000	103,000	96,000	85,000	79,000	363,000	353,000	343,000
Incremental non-cash stock-based comp (FAS)	487,000	111,000	161,000	140,000	197,000	609,000	149,000	185,150	141,400	204,880	680,430	714,452	750,174
Total operating expenses	7,099,000	1,827,000	1,958,000	1,897,000	2,114,000	7,796,000	2,074,000	2,236,674	2,146,136	2,481,254	8,938,064	10,053,916	11,185,201
Operating income	2,889,000	800,000	750,000	799,000	1,022,000	3,371,000	878,000	803,893	893,090	1,112,936	3,687,918	4,236,015	4,961,913
PF Operating income	3,841,000	1,025,000	1,019,000	1,040,000	1,322,000	4,406,000	1,145,000	1,086,543	1,120,990	1,398,316	4,750,848	5,309,466	6,061,087
Interest and other income, net	92,292	9,000	6,000	74,000	6,000	95,000	0	16,470	17,913	30,877	65,260	94,925	114,285
Interest expense and other	(15,292)	-	-	-	-	-	(5,000)	(24,313)	(24,313)	(24,313)	(77,938)	(97,250)	(85,750)
Impairment of certain equity investments	118,000	-	-	-	-	-	-	-	-	-	-	-	-
Total non-operating expenses, net	195,000	9,000	6,000	74,000	6,000	95,000	(5,000)	(7,843)	(6,399)	6,565	(12,677)	(2,325)	28,535
Income (loss) before income taxes and minority i	3,084,000	809,000	756,000	873,000	1,028,000	3,466,000	873,000	796,050	886,690	1,119,501	3,675,241	4,233,690	4,990,448
Provision for income taxes	(474,000)	(132,000)	(116,000)	(184,000)	(178,000)	(610,000)	(3,199,000)	(167,171)	(186,205)	(235,095)	(3,787,471)	(889,075)	(1,047,994)
Tax Rate	15.4%	16.3%	15.3%	21.1%	17.3%	17.6%	366.4%	21.0%	21.0%	21.0%	103.1%	21.0%	21.0%
Minority interests in consolidated companies	-	-	-	-	-	-	-	-	-	-	-	-	-
Cumulative effect of accounting change	-	-	-	-	-	-	-	-	-	-	-	-	-
GAAP Net income (loss)	2,610,000	677,000	640,000	689,000	850,000	2,856,000	(2,326,000)	628,880	700,485	884,406	(112,230)	3,344,615	3,942,454
Basic income (loss) per share	\$2.02	\$0.52	\$0.49	\$0.53	\$0.66	\$2.20	(\$1.82)	\$0.49	\$0.55	\$0.69	(\$0.09)	\$2.60	\$3.01
Diluted income (loss) per share	\$1.99	\$0.51	\$0.49	\$0.53	\$0.65	\$2.18	(\$1.80)	\$0.49	\$0.54	\$0.68	(\$0.09)	\$2.57	\$2.97
Basic shares outstanding	1,291,250	1,295,000	1,297,000	1,295,000	1,295,000	1,295,500	1,276,000	1,276,760	1,279,324	1,281,700	1,278,446	1,285,549	1,309,532
Diluted shares outstanding	1,312,250	1,319,000	1,313,000	1,310,000	1,310,000	1,313,000	1,292,000	1,292,920	1,295,645	1,298,185	1,294,688	1,302,278	1,326,763
Non-recurring items:													
Payroll expense on employee stock options	22,000	14,000	7,000	1,000	2,000	24,000	15,000	1,500	1,500	1,500	19,500	6,000.00	6,000.00
Amortization of acquired intangible assets	412,000	100,000	101,000	100,000	94,000	395,000	103,000	96,000	85,000	79,000	363,000	353,000	343,000
Impairment of certain equity investments	(118,000)	-	-	-	-	-	-	-	-	-	-	-	-
Opex adj. for non-cash stock based comp.	487,000	111,000	161,000	140,000	197,000	609,000	149,000	185,150	141,400	204,880	680,430	714,452	750,174
Cost of net revenues adjustment	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest and other income adjustment	-	-	-	-	-	-	-	-	-	-	-	-	-
Tax adjustment	(322,000)	(70,000)	(79,000)	(15,000)	(84,000)	(248,000)	(82,000)	(32,389)	(19,994)	(24,808)	(159,191)	(92,746)	(78,586)
Other one-time items, net of tax	11,000	(3,000)	(8,000)	(78,000)	8,000	(81,000)	3,040,000	-	-	-	3,040,000	-	-
Minority interests	-	-	-	-	-	-	-	-	-	-	-	-	-
PF Net income (loss)	3,102,000	829,000	822,000	837,000	1,067,000	3,555,000	899,000	879,141	908,391	1,144,978	3,831,509	4,323,321	4,963,042
PF basic income (loss) per share	\$2.40	\$0.64	\$0.63	\$0.65	\$0.82	\$2.74	\$0.70	\$0.69	\$0.71	\$0.89	\$3.00	\$3.36	\$3.79
PF diluted income (loss) per share	\$2.36	\$0.63	\$0.63	\$0.64	\$0.81	\$2.71	\$0.70	\$0.68	\$0.70	\$0.88	\$2.96	\$3.32	\$3.74
Basic shares outstanding	1,291,250	1,295,000	1,297,000	1,295,000	1,295,000	1,295,500	1,276,000	1,276,760	1,279,324	1,281,700	1,278,446	1,285,549	1,309,532
Diluted shares outstanding	1,312,250	1,319,000	1,313,000	1,310,000	1,310,000	1,313,000	1,292,000	1,292,920	1,295,645	1,298,185	1,294,688	1,302,278	1,326,763
EBITDA Reconciliation													
PF Operating income	3,841,000	1,025,000	1,019,000	1,040,000	1,322,000	4,406,000	1,145,000	1,086,543	1,120,990	1,398,316	4,750,848	5,309,466	6,061,087
Depreciation	789,000	229,000	246,000	257,000	273,000	1,005,000	279,000	270,600	282,700	300,300	1,132,600	1,223,208	1,284,368
EBITDA	4,630,000	1,254,000	1,265,000	1,297,000	1,595,000	5,411,000	1,424,000	1,357,143	1,403,690	1,698,616	5,883,448	6,532,674	7,345,455
Y/Y Growth													
Net sales	20.8%	14.4%	14.1%	14.3%	13.5%	14.0%	13.7%	13.0%	13.2%	14.3%	13.6%	13.8%	14.2%
Cost of net revenues	22.3%	18.2%	22.5%	20.9%	16.9%	19.5%	16.9%	14.7%	14.2%	13.7%	14.8%	15.2%	16.7%
Sales and marketing	20.6%	2.6%	6.9%	3.8%	4.4%	4.4%	14.9%	17.0%	18.6%	25.9%	19.3%	14.4%	12.4%
Product development	29.0%	16.9%	13.4%	10.1%	1.1%	10.2%	6.7%	16.8%	14.3%	28.5%	16.5%	14.9%	14.2%
General and administrative	18.2%	12.5%	4.3%	11.3%	11.9%	10.0%	13.9%	12.9%	12.8%	14.4%	13.5%	13.0%	10.4%
Total operating expenses	19.5%	9.0%	11.9%	8.5%	9.8%	9.8%	13.5%	14.2%	13.1%	17.4%	14.6%	12.5%	11.3%
Operating income	21.7%	22.5%	7.9%	19.8%	16.9%	16.7%	9.7%	7.2%	11.8%	8.9%	9.4%	14.9%	17.1%
PF Operating income	18.8%	16.1%	9.9%	16.2%	16.4%	14.7%	11.7%	6.6%	7.8%	5.8%	7.8%	11.8%	14.2%
GAAP Net income	-19.2%	18.8%	-7.5%	15.4%	13.2%	9.4%	NM	-1.7%	1.7%	4.0%	NM	NM	17.9%
PF Net income	16.3%	14.3%	12.6%	16.6%	15.1%	14.6%	8.4%	7.0%	8.5%	7.3%	7.8%	12.9%	14.7%
PF diluted income (loss) per share	16.4%	13.4%	12.3%	16.9%	15.8%	14.5%	10.7%	8.6%	9.7%	8.3%	9.3%	12.2%	12.6%
EBITDA	20.4%	18.4%	13.6%	17.6%	17.8%	16.9%	13.6%	7.3%	8.2%	6.5%	8.7%	11.0%	12.4%
Sequential Growth													
Net sales			3.4%	0.4%	16.4%								
% of Revenues													
Sales and marketing	19.7%	17.7%	18.8%	18.4%	17.4%	18.1%	17.9%	19.5%	19.3%	19.2%	19.0%	19.1%	18.8%
Product development	10.2%	10.7%	10.4%	10.0%	8.5%	9.9%	10.1%	10.8%	10.2%	9.5%	10.1%	10.2%	10.2%
General and administrative	9.6%	9.6%	9.3%	9.3%	8.9%	9.3%	9.6%	9.3%	9.3%	8.9%	9.3%	9.2%	8.9%
Provision for transaction & loan losses	4.1%	4.7%	5.0%	4.8%	5.3%	4.9%	4.8%	5.0%	4.8%	4.8%	4.8%	4.8%	4.7%
Total operating expenses	50.5%	48.7%	50.5%	48.7%	46.7%	48.6%	48.7%	51.1%	48.7%	47.9%	49.0%	48.5%	47.2%
Margins													
Gross margin	71.0%	70.1%	69.8%	69.3%	69.2%	69.6%	69.3%	69.4%	69.0%	69.4%	69.3%	68.9%	68.2%
Operating margin	20.5%	21.3%	19.3%	20.5%	22.6%	21.0%	20.6%	18.3%	20.3%	21.5%	20.2%	20.4%	21.0%
PF Operating margin	27.3%	27.3%	26.3%	26.7%	29.2%	27.5%	26.9%	24.8%	25.5%	27.0%	26.1%	25.6%	25.6%
EBITDA margin	32.9%	33.5%	32.6%	33.3%	35.2%	33.7%	33.4%	31.0%	31.9%	32.8%	32.3%	31.5%	31.0%
Operating Leverage (Δ in PF op inc / Δ in revenue)	25.1%	30.1%	19.2%	29.7%	34.6%	28.6%	23.3%	13.4%	15.8%	11.8%	15.8%	22.2%	25.6%

Source: J.P. Morgan estimates Company data.

Figure 16: eBay Segment Summary

\$ in thousands except per share data

	2012A	3/13A	6/13A	9/13A	12/13A	2013A	3/14A	6/14E	9/14E	12/14E	2014E	2015E
REVENUE												
Marketplaces	7,397,000	1,957,000	2,001,000	2,027,000	2,299,000	8,270,264	2,155,600	2,176,280	2,200,053	2,516,488	9,055,601	10,053,601
Y/Y growth	11%	13%	10%	12%	12%	12%	10%	9%	9%	9%	9%	11%
eBay Enterprise	1,095,000	248,000	259,000	252,000	407,000	1,166,000	269,000	274,540	267,120	427,350	1,238,010	1,299,911
Y/Y growth	86%	5%	17%	11%	-1%	6%	8%	6%	6%	5%	6%	5%
Payments	5,572,500	1,549,000	1,624,000	1,620,000	1,836,000	6,629,000	1,845,000	1,938,400	1,945,502	2,235,911	7,964,813	9,413,961
Y/Y growth	26%	18%	20%	19%	19%	19%	19%	19%	20%	22%	20%	18%
Corporate and Other	19,000	(5,000)	-8,000	-7,000	-12,000	(32,000)	-7,000	-8,000	-8,000	-800	(23,800)	(27,370)
Y/Y growth												
Total Revenue	14,083,500	3,749,000	3,876,000	3,892,000	4,530,000	16,033,264	4,262,600	4,381,220	4,404,674	5,178,949	18,234,623	20,740,103
Y/Y growth	21%	14%	14%	14%	13%	14%	14%	13%	13%	14%	14%	14%
CONTRIBUTION PROFIT												
Marketplaces	2,941,782	823,897	794,397	788,503	944,889	3,351,686	855,773	805,381	833,806	1,006,396	3,501,357	3,773,668
Y/Y growth	12%	23%	11%	12%	11%	14%	4%	1%	6%	7%	4%	8%
Contribution Margin	39.8%	42.1%	39.7%	38.9%	41.1%	40.5%	39.7%	37.0%	37.9%	40.0%	38.7%	37.5%
GSI Commerce	111,119	-1,240	2,590	8,568	62,678	72,596	12,643	2,745	8,014	64,103	87,505	103,993
Y/Y growth	33%	-106%	-75%	-38%	-3%	-35%	-1120%	6%	-6%	2%	21%	19%
Contribution Margin	10.1%	-0.5%	1.0%	3.4%	15.4%	6.2%	4.7%	1.0%	3.0%	15.0%	7.1%	8.0%
Payments	1,358,696	373,309	373,520	367,740	471,852	1,586,421	474,165	436,140	437,738	514,260	1,862,302	2,136,969
Y/Y growth	39%	8%	7%	19%	33%	17%	27%	17%	19%	9%	17%	15%
Contribution Margin	24.4%	24.1%	23.0%	22.7%	25.7%	23.9%	25.7%	22.5%	22.5%	23.0%	23.4%	22.7%
Communications												
Y/Y growth												
Contribution Margin												
Total Contribution Profit	4,411,597	1,195,966	1,170,507	1,164,811	1,479,419	5,010,703	1,342,581	1,244,267	1,279,558	1,584,758	5,451,164	6,014,630
Y/Y growth	19%	15%	8%	13%	17%	14%	12%	6%	10%	7%	9%	10%
Less: Unallocated Expenses	570,597	170,966	151,507	124,811	157,419	604,703	197,581	157,724	158,568	186,442	700,316	705,164
Y/Y growth	25%	11%	0%	-5%	18%	6%	16%	4%	27%	18%	16%	1%
Total Pro Forma Operating Income	3,841,000	1,025,000	1,019,000	1,040,000	1,322,000	4,406,000	1,145,000	1,086,543	1,120,990	1,398,316	4,750,848	5,309,466
Y/Y growth	19%	16%	10%	16%	16%	15%	12%	7%	8%	6%	8%	12%
PF Operating Margins	27.3%	27.3%	26.3%	26.7%	29.2%	27.5%	26.9%	24.8%	25.5%	27.0%	26.1%	25.6%
	4.1%	4.6%	3.9%	3.2%	3.5%	3.8%	4.6%	3.6%	3.6%	3.6%	3.8%	3.4%
REVENUE BREAKDOWN												
Marketplaces	53%	52%	52%	52%	51%	52%	51%	50%	50%	49%	50%	48%
Payments	40%	41%	42%	42%	41%	41%	43%	44%	44%	43%	44%	45%
GSI Commerce	8%	7%	7%	6%	9%	7%	6%	6%	6%	8%	7%	6%
Total Revenue	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
CONTRIBUTION PROFIT BREAKDOWN												
Marketplaces	67%	69%	68%	68%	64%	67%	64%	65%	65%	64%	64%	63%
Payments	31%	31%	32%	32%	32%	32%	35%	35%	34%	32%	34%	36%
GSI Commerce	3%	0%	0%	1%	4%	1%	1%	0%	1%	4%	2%	2%
Total Contribution Profit	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Source: J.P. Morgan estimates Company data.

Figure 17: eBay Marketplaces Business

	2012A	3/13A	6/13A	9/13A	12/13A	2013A	3/14A	6/14E	9/14E	12/14E	2014E	2015E	2016E
GROSS MERCHANDISE VOLUME													
Ex-Vehicles GMV													
US ex-Vehicles GMV	26,411,400	7,349,000	7,253,000	7,408,000	8,342,000	30,352,000	8,141,000	7,905,770	8,185,840	9,301,330	33,533,940	37,289,741	41,764,510
Y/Y growth	15.5%	15.4%	16.2%	14.3%	13.9%	14.9%	10.8%	9.0%	10.5%	11.5%	10.5%	11.2%	12.0%
International ex-Vehicles GMV	41,336,400	10,958,000	11,023,000	10,937,000	13,162,000	46,080,000	12,404,000	12,547,880	12,347,528	14,823,154	52,122,562	58,481,514	65,791,704
Y/Y growth	10.3%	11.4%	11.0%	11.6%	11.9%	11.5%	13.2%	13.8%	12.9%	12.6%	13.1%	12.2%	12.5%
Y/Y growth, ex-FX impact	14.5%	11.0%	11.0%	11.0%	10.0%	10.8%	11.0%	11.5%	11.0%	12.0%	11.6%	12.2%	12.5%
Ex-Vehicles GMV	67,747,800	18,307,000	18,276,000	18,345,000	21,504,000	76,432,000	20,545,000	20,453,650	20,533,368	24,124,484	85,656,502	95,771,256	107,556,214
Y/Y growth	12%	13%	13%	13%	13%	13%	12%	12%	12%	12%	12%	12%	12%
Y/Y growth, ex-FX impact	15%	13%	13%	12%	12%	13%	11%	12%	12%	12%	12%	12%	12%
Vehicles GMV													
US Vehicles GMV	3,838,437	843,000	915,408	895,122	756,163	3,409,693	758,700	842,175	832,463	703,232	3,136,570	2,979,742	2,860,552
Y/Y growth	-5.6%	-10%	-11%	-12%	-12%	-11.2%	-10%	-8%	-7%	-7%	-8.0%	-5%	-4%
% of total Vehicles GMV in the US	50%	50%	51%	51%	48%	50%					48%	47%	47%
International Vehicles GMV	3,774,563	843,000	889,592	869,878	823,837	3,426,307	819,745	892,560	868,981	820,713	3,401,999	3,299,939	3,200,941
Y/Y growth	-11%	-10%	-11%	-11%	-5%	-9%	-3%	0%	0%	0%	-1%	-3%	-3%
Y/Y growth, ex-FX impact	-7%	-5%	-10%	-11%	-3%	-9%	-4%	-2%	-2%	-1%	-2%	-3%	-3%
Vehicles GMV	7,613,000	1,686,000	1,805,000	1,765,000	1,580,000	6,836,000	1,578,445	1,734,735	1,701,444	1,523,945	6,538,569	6,279,681	6,061,493
Y/Y growth	-8%	-10%	-11%	-11%	-9%	-10%	-6%	-4%	-4%	-4%	-4%	-4%	-3%
Y/Y growth, ex-FX impact	-6%	-10%	-10%	-11%	-9%	-10%	-6%	-4%	-4%	-4%	-4%	-4%	-3%
Total GMV	75,360,800	19,993,000	20,081,000	20,110,000	23,084,000	83,268,000	22,123,445	22,188,385	22,234,813	25,648,428	92,195,071	102,050,937	113,617,707
Y/Y growth reported	10%	11%	10%	10%	11%	10%	11%	10%	11%	11%	11%	11%	11%
Y/Y growth, ex-FX impact	12%	11%	10%	10%	11%	10%	11%	10%	11%	11%	11%	11%	11%
REVENUE													
Transaction Revenue													
U.S. Marketplaces	2,680,987	699,300	710,100	740,140	786,040	2,935,580	742,117	743,575	784,592	855,390	3,125,674	3,422,906	3,802,055
Y/Y growth	12%	9%	11%	11%	7%	9%	6%	5%	6%	9%	6%	10%	11%
Take Rate	8.86%	8.54%	8.69%	8.91%	8.64%	8.70%	8.34%	8.50%	8.70%	8.55%	8.52%	8.50%	8.52%
% of Total Marketplaces Transaction	44%	45%	45%	46%	43%	45%	43%	43%	44%	42%	43%	43%	43%
International Marketplaces	3,396,813	854,700	867,900	868,860	1,041,960	3,633,420	985,183	981,152	984,630	1,157,646	4,108,612	4,540,937	5,084,758
Y/Y growth	12%	9%	2%	6%	11%	7%	15%	13%	13%	11%	13%	11%	12%
Y/Y growth, ex-FX impact	16%	9%	2%	6%	11%	7%	15%	13%	13%	11%	13%	11%	12%
Take Rate	7.53%	7.24%	7.29%	7.36%	7.45%	7.34%	7.45%	7.30%	7.45%	7.40%	7.40%	7.35%	7.37%
% of Total Marketplaces Transaction	56%	55%	55%	54%	57%	55%	58%	57%	56%	58%	57%	57%	57%
Marketplaces Transaction Revenue	6,077,800	1,554,000	1,578,000	1,609,000	1,828,000	6,569,000	1,727,300	1,724,727	1,769,222	2,013,036	7,234,286	7,963,843	8,886,813
Y/Y growth	12%	9%	6%	8%	9%	8%	11%	9%	10%	10%	10%	10%	12%
FX impact in \$	-141,097	966	4,101	0	0	5,067	0	0	0	0	0	0	0
Y/Y growth, ex-FX impact	15%	9%	6%	8%	9%	8%	11%	9%	10%	10%	10%	10%	12%
Take Rate	8.06%	7.77%	7.86%	8.00%	7.92%	7.89%	7.81%	7.77%	7.96%	7.85%	7.85%	7.80%	7.82%
Marketing Services & Other Revenues													
U.S. Marketplaces	344,370	100,750	105,750	90,764	127,170	424,434	112,840	118,440	101,655	142,430	475,366	541,917	617,785
Y/Y growth	7%	33%	26%	15%	20%	23%	12%	12%	12%	12%	12%	14%	14%
% of marketplaces mktg rev	26%	25%	25%	22%	27%	25%	26%	26%	24%	28%	26%	26%	26%
International Marketplaces	974,830	302,250	317,250	313,500	343,830	1,276,830	322,640	333,113	329,175	361,022	1,345,949	1,547,841	1,764,539
Y/Y growth	10%	33%	33%	32%	26%	31%	7%	5%	5%	5%	5%	15%	14%
Y/Y growth, ex-FX impact	14%	33%	32%	32%	26%	31%	7%	5%	5%	5%	5%	15%	14%
% of marketplaces mktg rev	74%	75%	75%	75%	73%	75%	75%	74%	76%	72%	74%	74%	74%
Marketplaces Mktg Services & Other F	1,319,200	403,000	423,000	418,000	471,000	1,701,264	428,300	451,553	430,830	503,452	1,821,315	2,089,758	2,382,325
Y/Y growth	9%	33%	31%	32%	25%	29%	6%	7%	3%	7%	7%	15%	14%
Y/Y growth, ex-FX impact	12%	33%	30%	32%	25%	29%	6%	7%	3%	7%	7%	15%	14%
TOTAL MARKETPLACE REVENUES	7,397,000	1,957,000	2,001,000	2,027,000	2,299,000	8,270,264	2,155,600	2,176,280	2,200,053	2,516,488	9,055,601	10,053,601	11,269,138
Y/Y growth	11%	13%	10%	12%	12%	12%	10%	9%	9%	9%	9%	11%	12%
Y/Y growth, ex-FX impact	14%	13%	10%	12%	11%	11%	9%	9%	9%	9%	9%	11%	12%
OPERATING METRICS													
Gross Merchandise Volume													
GMV by Geography													
US GMV	30,249,837	8,192,000	8,168,408	8,303,122	9,098,163	33,761,693	8,899,700	8,747,945	9,018,303	10,004,562	36,670,510	40,269,483	44,625,062
Y/Y growth	12%	12%	12%	11%	11%	12%	9%	7%	9%	10%	9%	10%	11%
% of total GMV	40%	41%	41%	41%	39%	41%	40%	39%	41%	39%	40%	39%	39%
International GMV	45,110,963	11,801,000	11,912,592	11,806,878	13,985,837	49,506,307	13,223,745	13,440,440	13,216,509	15,643,866	55,524,561	61,781,453	68,992,645
Y/Y growth	8%	10%	9%	10%	11%	10%	12%	13%	12%	12%	12%	11%	12%
Y/Y growth, ex-FX impact	12%	9%	9%	9%	11%	10%	12%	13%	12%	12%	12%	11%	12%
% of total GMV	60%	59%	59%	59%	61%	59%	60%	61%	59%	61%	60%	61%	61%
Total GMV	75,360,800	19,993,000	20,081,000	20,110,000	23,084,000	83,268,000	22,123,445	22,188,385	22,234,813	25,648,428	92,195,071	102,050,937	113,617,707
Y/Y growth	10%	11%	10%	10%	11%	10%	11%	10%	11%	11%	11%	11%	11%
Y/Y growth, ex-FX impact	12%	11%	10%	10%	11%	10%	11%	10%	11%	11%	11%	11%	11%

Source: J.P. Morgan estimates Company data.

Figure 18: eBay Payments Business

	3/13A	6/13A	9/13A	12/13A	2013A	3/14A	6/14E	9/14E	12/14E	2014E	2015E	2016E
TOTAL PAYMENT VOLUME												
On eBay	12,953,000	13,006,000	13,112,000	15,311,000	54,382,000	14,844,000	14,870,231	14,934,155	17,243,375	61,891,761	69,318,772	77,637,025
Y/Y growth	13%	15%	14%	14%	14%	15%	14%	14%	13%	14%	12%	12%
Y/Y growth, ex-FX impact	14%	15%	15%	14%	14%	13%	12%	12%	12%	12%	12%	12%
% of Total TPV	32%	30%	30%	29%	30%	29%	28%	28%	27%	28%	26%	25%
Merchant Services	28,087,000	29,807,000	30,725,000	36,662,000	125,281,000	37,162,000	39,146,612	39,296,307	46,421,729	162,026,648	199,292,776	239,151,332
Y/Y growth	25%	29%	30%	31%	29%	32%	31%	28%	27%	29%	23%	20%
Y/Y growth, ex-FX impact	26%	29%	30%	31%	29%	32%	29%	26%	26%	28%	23%	20%
% of Total TPV	68%	70%	70%	71%	70%	71%	72%	72%	73%	72%	74%	75%
BML TPV	849,000	934,000	1,009,000	1,314,000	4,106,000	1,092,000	1,214,200	1,311,700	1,708,200	5,326,100	7,190,235	9,419,208
FX Impact												
Y/Y growth, ex-FX impact												
Y/Y growth	31%	34%	30%	27%	30%	29%	30%	30%	30%	30%	35%	31%
% of Total TPV	2%	2%	2%	3%	2%	2%	2%	2%	3%	2%	3%	3%
Total TPV	41,040,000	42,813,000	43,837,000	51,973,000	179,663,000	52,006,000	54,016,842	54,230,462	63,665,104	223,918,408	268,611,548	316,788,356
Y/Y growth	21%	24%	25%	25%	24%	27%	26%	24%	22%	25%	20%	18%
Y/Y growth, ex-FX impact	22%	24%	25%	25%	24%	26%	24%	22%	22%	23%	20%	18%
REVENUE												
Transaction Revenue												
U.S. Payments	645,750	649,000	656,920	727,990	2,679,660	748,000	789,996	805,322	928,237	3,271,556	3,750,757	4,409,694
Y/Y growth	15%	17%	15%	16%	16%	16%	22%	23%	28%	22%	15%	18%
% of Payments Trans Rev	45%	44%	44%	43%	44%	44%	45%	45%	45%	45%	44%	44%
International Payments	789,250	826,000	836,080	965,010	3,416,340	952,000	965,551	984,283	1,134,512	4,036,346	4,871,673	5,727,533
Y/Y growth	20%	22%	20%	20%	21%	21%	17%	18%	18%	18%	21%	18%
Y/Y growth, ex-FX impact	22%	24%	23%	22%	23%	21%	17%	18%	18%	18%	21%	18%
% of Payments Trans Rev	55%	56%	56%	57%	56%	56%	55%	55%	55%	55%	57%	57%
Payments Transaction Revenue	1,435,000	1,475,000	1,493,000	1,693,000	6,096,000	1,700,000	1,755,547	1,789,605	2,062,749	7,307,902	8,622,431	10,137,227
Y/Y growth	18%	20%	18%	18%	18%	18%	19%	20%	22%	20%	18%	18%
Y/Y growth, ex-FX impact	19%	21%	20%	19%	20%	18%	19%	20%	22%	20%	18%	18%
Take Rate	3.50%	3.45%	3.41%	3.26%	3.39%	3.27%	3.25%	3.30%	3.24%	3.26%	3.21%	3.20%
Marketing Services & Other Revenue												
U.S. Payments	109,440	144,530	123,190	137,280	514,440	140,650	176,327	150,292	164,736	632,004	758,405	894,918
Y/Y growth	29%	22%	28%	33%	28%	29%	22%	22%	20%	23%	20%	18%
% of Payments Marketing Services & C	96%	97%	97%	96%	97%	97%	96%	96%	95%	96%	96%	96%
International Payments	4,560	4,470	3,810	5,720	18,560	4,350	6,526	5,605	8,426	24,906	33,125	41,407
Y/Y growth	-38%	-9%	-38%	5%	-22%	-5%	46%	47%	47%	34%	33%	25%
Y/Y growth, ex-FX impact	-37%	-7%	-36%	6%	-21%	45%	46%	47%	47%	35%	33%	25%
% of Payments Marketing Services & C	4%	3%	3%	4%	3%	3%	4%	4%	5%	4%	4%	4%
Payments Marketing Services & Other R	114,000	149,000	127,000	143,000	533,000	145,000	182,853	155,896	173,162	656,911	791,531	936,325
Y/Y growth	23%	21%	25%	31%	25%	27%	23%	23%	21%	23%	20%	18%
Y/Y growth, ex-FX impact	23%	21%	25%	31%	25%	27%	23%	23%	21%	23%	20%	18%
TOTAL PAYMENTS REVENUE	1,549,000	1,624,000	1,620,000	1,836,000	6,629,000	1,845,000	1,938,400	1,945,502	2,235,911	7,964,813	9,413,961	11,073,552
Y/Y growth	18%	20%	19%	19%	19%	19%	19%	20%	22%	20%	18%	18%
Y/Y growth, ex-FX impact	20%	21%	20%	20%	20%	20%	19%	20%	22%	20%	18%	18%
OPERATING METRICS												
Total Payment Volume												
TPV by Geography												
US TPV	21,751,200	22,262,760	22,795,240	26,506,230	93,315,430	26,523,060	27,008,421	27,115,231	31,832,552	112,479,264	131,619,659	155,226,295
Y/Y growth	18%	21%	20%	23%	21%	22%	21%	19%	20%	21%	17%	18%
% of total GMV	53%	52%	52%	51%	52%	51%	50%	50%	50%	50%	49%	49%
International TPV	19,288,800	20,550,240	21,041,760	25,466,770	86,347,570	25,482,940	27,008,421	27,115,231	31,832,552	111,439,144	136,991,890	161,562,062
Y/Y growth	25%	28%	30%	28%	28%	32%	31%	29%	25%	29%	23%	18%
Y/Y growth, ex-FX impact	26%	28%	31%	28%	28%	32%	31%	29%	25%	29%	23%	18%
% of total TPV	47%	48%	48%	49%	48%	49%	50%	50%	50%	50%	51%	51%
Total TPV	41,040,000	42,813,000	43,837,000	51,973,000	179,663,000	52,006,000	54,016,842	54,230,462	63,665,104	223,918,408	268,611,548	316,788,356
Y/Y growth	21%	24%	25%	25%	24%	27%	26%	24%	22%	25%	20%	18%
Y/Y growth, ex-FX impact	22%	24%	25%	25%	24%	26%	24%	22%	22%	23%	20%	18%
Contribution Profit												
Revenue	1,549,000	1,624,000	1,620,000	1,836,000	6,629,000	1,845,000	1,938,400	1,945,502	2,235,911	7,964,813	9,413,961	11,073,552
Y/Y Growth	18%	20%	19%	19%	19%	19%	19%	20%	22%	20%	18%	18%
Direct Costs	1,175,691	1,250,480	1,252,260	1,364,148	5,042,579	1,370,835	1,502,260	1,507,764	1,721,651	6,102,510	7,276,992	8,582,003
Y/Y Growth	22%	24%	18%	15%	20%	17%	20%	20%	26%	21%	19%	18%
Direct Contribution	373,309	373,520	367,740	471,852	1,586,421	474,165	436,140	437,738	514,260	1,862,302	2,136,969	2,491,549
Y/Y Growth	8%	7%	19%	33%	17%	27%	17%	19%	9%	17%	15%	17%
% Payments Contribution Margin	24.1%	23.0%	22.7%	25.7%	23.9%	25.7%	22.5%	22.5%	23.0%	23.4%	22.7%	22.5%
Incremental Margin (Operating Leverage)	11.6%	8.8%	23.2%	39.8%	21.6%	34.1%	19.9%	21.5%	10.6%	20.7%	19.0%	21.4%

Source: J.P. Morgan estimates Company data.

Figure 19: Twitter Income Statement

	2012A	3/13A	6/13A	9/13A	12/13A	2013A	3/14A	6/14E	9/14E	12/14E	2014E	2015E	2016E
Revenue	316.9	114.3	139.3	168.6	242.7	664.9	250.5	281.4	310.5	413.0	1,255.4	1,956.8	2,824.7
Cost of Revenue	128	40.8	49.1	59.2	66.7	215.8	75.7	90.0	94.7	113.6	374.0	596.8	833.3
Gross Profit	189	73.6	90.2	109.4	176.0	449.1	174.8	191.3	215.8	299.5	881.4	1,359.9	1,991.4
Operating Expenses													
Research and Development	106.4	39.1	48.5	58.1	68.3	214.1	71.1	95.7	102.5	115.7	384.8	606.6	875.6
Sales and Marketing	85.2	30.4	42.7	55.5	73.2	201.8	78.4	90.0	94.7	117.7	380.9	587.0	819.2
General and Administrative	48.7	15.0	15.3	15.5	22.9	68.7	28.3	28.1	27.9	37.2	121.6	187.8	259.9
SBC	25.7	12.9	22.6	43.6	52.2	600.4	126.4	175.0	180.0	190.0	671.4	684.8	698.5
Total Operating Expenses	266.0	97.5	129.1	172.7	685.6	1,084.9	304.2	388.8	405.1	460.5	1,558.7	2,066.3	2,653.2
Operating Income	(77.1)	(23.9)	(38.9)	(63.3)	(509.7)	(635.8)	(129.4)	(197.5)	(189.3)	(161.1)	(677.3)	(706.3)	(661.8)
PF Operating Income	(51.3)	(11.0)	(16.3)	(19.7)	11.5	(35.5)	(3.0)	(22.5)	(9.3)	28.9	(5.9)	(21.5)	36.7
Interest Income (expense), net	(2.5)	(1.2)	(1.5)	(1.7)	(2.4)	(6.9)	(2.6)	(4.3)	(7.2)	(10.6)	(24.7)	(8.7)	(15.8)
Other Income (expense), net	0.4	(1.5)	(1.0)	0.8	(2.7)	(4.5)	0.8	-	-	-	0.8	-	-
Pre-Tax Income	(79.2)	(26.7)	(41.4)	(64.2)	(514.8)	(647.1)	(131.1)	(201.9)	(196.5)	(171.7)	(701.1)	(715.0)	(677.6)
Provision for Income Taxes	(0.2)	(0.4)	(0.8)	(0.4)	3.3	1.8	(1.2)	-	-	-	(1.2)	0	-
Tax Rate	0%	-1%	-2%	-1%	1%	0%	-1%	0%	0%	0%	0%	0%	0%
Net Income	(79.4)	(27.0)	(42.2)	(64.6)	(511.5)	(645.3)	(132.4)	(201.9)	(196.5)	(171.7)	(702.4)	(715.0)	(677.6)
GAAP EPS	(\$0.68)	(\$0.22)	(\$0.32)	(\$0.46)	(\$1.41)	(\$3.41)	(\$0.23)	(\$0.33)	(\$0.31)	(\$0.26)	(\$1.14)	(\$1.08)	(\$1.00)
Basic Shares	117.4	122.1	131.9	141.1	362.6	189.4	570.2	607.1	632.1	649.9	614.8	662.9	676.2
Diluted Shares	117.4	122.1	131.9	141.1	612.2	251.8	570.2	739.8	764.8	782.6	714.3	798.2	814.2
PF Net Income	(35.2)	(10.5)	(16.4)	(17.2)	9.8	(34.3)	0.2	(23.9)	(13.5)	21.3	(15.8)	(14.2)	37.6
PF EPS	(\$0.30)	(\$0.09)	(\$0.12)	(\$0.12)	\$0.02	(\$0.18)	\$0.00	(\$0.04)	(\$0.02)	\$0.03	(\$0.03)	(\$0.02)	\$0.05
EBITDA Calc													
Operating Income	(77.1)	(23.9)	(38.9)	(63.3)	(509.7)	(635.8)	(129.4)	(197.5)	(189.3)	(161.1)	(677.3)	(706.3)	(661.8)
SBC	25.7	12.9	22.6	43.6	52.2	600.4	126.4	175.0	180.0	190.0	671.4	684.8	698.5
Depreciation and Amortization	72.5	22.7	25.9	29.0	33.2	110.9	40.0	52.1	54.3	63.6	209.9	416.8	593.2
Other	-	-	-	-	-	-	-	-	-	-	-	-	-
Adjusted EBITDA	21.2	11.7	9.6	9.3	44.7	75.4	36.9	29.5	45.0	92.5	204.0	395.3	629.9
Y/Y Growth													
Revenue	198%	111%	105%	105%	116%	110%	119%	102%	84%	70%	89%	56%	44%
Cost of Revenue	113%	49%	62%	77%	82%	69%	86%	83%	60%	70%	73%	60%	40%
Gross Profit	308%	173%	139%	124%	133%	138%	138%	112%	97%	70%	96%	54%	46%
Research and Development	128%	133%	109%	96%	86%	101%	82%	97%	76%	69%	80%	58%	44%
Sales and Marketing	249%	115%	121%	138%	158%	137%	158%	111%	71%	61%	89%	54%	40%
General and Administrative	15%	39%	37%	20%	66%	41%	88%	84%	80%	62%	77%	55%	38%
SBC	-57%	147%	108%	922%	9649%	2232%	878%	673%	313%	-64%	12%	2%	2%
Total Operating Expenses	53%	107%	100%	146%	713%	308%	212%	201%	135%	-33%	44%	33%	28%
Operating Income	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM
PF Operating Income	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM
Net Income	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM
GAAP EPS	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM
PF Net Income	NM	NM	NM	NM	NM	NM	NM	NM	NM	118%	NM	NM	NM
PF EPS	NM	NM	NM	NM	NM	NM	NM	NM	NM	71%	NM	NM	NM
Adjusted EBITDA	NM	NM	524%	218%	155%	256%	215%	206%	384%	107%	170%	94%	59%
Q/Q Growth													
Revenue		2%	22%	21%	44%		3%	12%	10%	33%			
Cost of Revenue		11%	20%	21%	13%		13%	19%	5%	20%			
Gross Profit		-3%	23%	21%	61%		-1%	9%	13%	39%			
Research and Development		7%	24%	20%	18%		4%	35%	7%	13%			
Sales and Marketing		7%	41%	30%	32%		7%	15%	5%	24%			
General and Administrative		9%	2%	2%	47%		24%	-1%	-1%	33%			
SBC		142%	75%	93%	1095%		-76%	38%	3%	6%			
Total Operating Expenses		16%	32%	34%	297%		-56%	28%	4%	14%			
Adjusted EBITDA		-33%	-18%	-4%	381%		-17%	-20%	52%	106%			
Margins													
Cost of Revenue	40%	36%	35%	35%	27%	32%	30%	32%	31%	28%	30%	31%	30%
Gross Profit	60%	64%	65%	65%	73%	68%	70%	68%	70%	73%	70%	70%	71%
Research and Development	34%	34%	35%	34%	28%	32%	28%	34%	33%	28%	31%	31%	31%
Sales and Marketing	27%	27%	31%	33%	30%	30%	31%	32%	31%	29%	30%	30%	29%
General and Administrative	15%	13%	11%	9%	9%	10%	11%	10%	9%	9%	10%	10%	9%
SBC	8%	11%	16%	26%	215%	90%	50%	62%	58%	46%	53%	35%	25%
Total Operating Expenses	84%	85%	93%	102%	283%	163%	121%	138%	130%	111%	124%	106%	94%
PF Operating Income	-16%	-10%	-12%	-12%	5%	-5%	-1%	-8%	-3%	7%	0%	-1%	1%
PF Net Income	-11%	-9%	-12%	-10%	4%	-5%	0%	-8%	-4%	5%	-1%	-1%	1%
PF EPS	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
D&A	23%	20%	19%	17%	14%	17%	16%	19%	18%	15%	17%	21%	21%
Adjusted EBITDA	7%	10%	7%	6%	18%	11%	15%	11%	15%	22%	16%	20%	22%

Source: J.P. Morgan estimates Company data.

Figure 20: Twitter Drivers

	2012A	3/13A	6/13A	9/13A	12/13A	2013A	3/14A	6/14E	9/14E	12/14E	2014E	2015E	2016E
Summary													
Advertising	269.4	100.5	121.0	153.4	219.7	594.5	226.1	258.8	288.5	388.2	1,161.6	1,863.0	2,730.9
Y/Y Growth	247%	126%	113%	123%	121%	121%	125%	114%	88%	77%	95%	60%	47%
Q/Q Growth		1%	20%	27%	43%		3%	14%	11%	35%			
Data Licensing	47.5	18.3	18.3	15.1	23.0	70.3	24.4	22.5	22.0	24.8	93.8	93.8	93.8
Y/Y Growth	66%	41%	63%	11%	80%	48%	76%	23%	45%	8%	33%	0%	0%
Q/Q Growth		9%	32%	-17%	52%		6%	-8%	-3%	13%			
Total Revenue	316.9	114.3	139.3	168.6	242.7	664.9	250.5	281.4	310.5	413.0	1,255.4	1,956.8	2,824.7
Y/Y Growth	198%	111%	105%	105%	116%	110%	119%	102%	84%	70%	89%	56%	44%
Q/Q Growth		2%	22%	21%	44%		3%	12%	10%	33%			
Seasonality		17%	21%	25%	36%		20%	22%	25%	33%			
% Mix of Revenue													
Advertising	85%	88%	87%	91%	91%	89%	90%	92%	93%	94%	93%	95%	97%
Data Licensing	15%	12%	13%	9%	9%	11%	10%	8%	7%	6%	7%	5%	3%
MAUs													
United States	45	48	49	53	54	54	57	58	61	64	64	73	80
Y/Y Growth	50%	41%	32%	33%	20%	20%	19%	19%	16%	18%	18%	14%	10%
Q/Q Growth		7%	2%	8%	2%		6%	2%	6%	4%			
Abs. Change Y/Y		14	12	13	9	9	9	9	8	10	10	9	7
Abs. Change Q/Q		3	1	4	1		3	1	3	2			
International	140	156	169	179	187	187	198	211	224	234	234	283	331
Y/Y Growth	61%	50%	48%	41%	34%	34%	27%	25%	29%	25%	25%	21%	17%
Q/Q Growth		11%	8%	6%	4%		6%	7%	6%	4%			
Abs. Change Y/Y		52	55	52	47	47	42	42	45	47	47	49	48
Abs. Change Q/Q		16	13	10	8		11	13	13	10			
Total MAUs	185	204	218	232	241	241	255	269	285	297	297	355	411
Y/Y Growth		48%	44%	39%	30%	30%	25%	24%	23%	23%	23%	20%	16%
Q/Q Growth		10%	7%	6%	4%		6%	6%	6%	4%			
% Mix of MAUs													
United States	24%	24%	22%	23%	22%	22%	22%	22%	22%	21%	21%	20%	19%
International	76%	76%	78%	77%	78%	78%	78%	78%	78%	79%	79%	80%	81%
Engagement - Timeline Views / MAU													
United States													
Timeline Views Per MAU	2,655	824	829	815	758	3,042	804	829	823	818	3,086	3,179	3,306
Y/Y Growth		21%	10%	0%	-5%	15%	-2%	0%	1%	8%	1%	3%	4%
Q/Q Growth		3%	1%	-2%	-7%		6%	3%	-1%	-1%			
International													
Timeline Views Per MAU	1,889.7	620	653	646	571	2,296.9	560	692	704	657	2,430.5	2,625	2,835
Y/Y Growth		35%	21%	12%	-2%	22%	-10%	6%	9%	15%	6%	8%	8%
Q/Q Growth		6%	5%	-1%	-12%		-2%	23%	7%	-7%			
Total													
Timeline Views Per MAU	2,075.8	668	692	684	613	2,463.8	615	721	729	692	2,571.0	2,738.2	2,926.6
Y/Y Growth		30%	17%	8%	-3%	19%	-8%	4%	7%	13%	4%	7%	7%
Q/Q Growth		5%	4%	-1%	-10%		0%	17%	1%	-5%			
Timeline Views													
United States	119,463	39,541	40,614	43,169	40,924	164,248	45,805	48,128	50,577	52,154	196,663	230,922	264,174
Y/Y Growth		71%	45%	33%	14%	37%	16%	19%	17%	27%	20%	17%	14%
Q/Q Growth		10%	3%	6%	-5%		12%	5%	5%	3%			
International	264,559	96,788	110,285	115,589	106,859	429,521	110,908	146,128	157,490	153,610	568,135	742,439	938,146
Y/Y Growth		102%	79%	57%	31%	62%	15%	33%	36%	44%	32%	31%	26%
Q/Q Growth		19%	14%	5%	-8%		4%	32%	8%	-2%			
Total Timeline Views	384,022	136,329	150,899	158,758	147,783	593,769	156,713	194,255	208,067	205,763	764,798	973,361	1,202,321
Y/Y Growth		92%	69%	50%	26%	55%	15%	29%	31%	39%	29%	27%	24%
Q/Q Growth		16%	11%	5%	-7%		6%	24%	7%	-1%			
% Mix of Timeline Views													
United States	31%	29%	27%	27%	28%	28%	29%	25%	24%	25%	26%	24%	22%
International	69%	71%	73%	73%	72%	72%	71%	75%	76%	75%	74%	76%	78%
CPE & Ad Engagement Metrics													
Number of Ad Engagements (Y/Y)		319%	505%	624%	608%	514%	688%	322%	261%	178%	362%	200%	100%
Number of Ad Engagements (Q/Q)		15%	124%	58%	74%		28%	20%	35%	34%			
Avg. Cost Per Ad Engagement (Y/Y)		-47%	-65%	-69%	-69%	-64%	-72%	-50%	-48%	-37%	-58%	-47%	-27%
Avg. Cost Per Ad Engagement (Q/Q)		-12%	-46%	-20%	-18%		-20%	-5%	-17%	0%			
Ad Revenue Growth (Y/Y)	247%	126%	113%	123%	121%	121%	125%	114%	88%	77%	95%	60%	47%
Ad Revenue Growth (Q/Q)		1%	20%	27%	43%		3%	14%	11%	35%			
Advertising Revenue													
United States													
Ad Revenue Per 1,000 Timeline Views	\$1.86	\$1.95	\$2.17	\$2.58	\$3.80	\$2.63	\$3.47	\$3.52	\$3.77	\$4.83	\$3.92	\$4.86	\$5.59
Y/Y Growth		15%	26%	50%	73%	41%	78%	62%	46%	27%	49%	24%	15%
Q/Q Growth		-11%	11%	19%	47%		-9%	1%	7%	28%			
Ad Revenue Per Avg MAU	\$5.93	\$1.66	\$1.82	\$2.18	\$2.91	\$8.73	\$2.86	\$2.94	\$3.19	\$4.02	\$13.09	\$16.45	\$19.35
Y/Y Growth		35%	34%	50%	56%	47%	73%	62%	46%	38%	50%	26%	18%
Q/Q Growth		-11%	10%	20%	33%		-1%	3%	8%	26%			
US Advertising Revenue	222.3	77.1	88.1	111.4	155.5	432.1	158.9	169.2	190.5	251.7	770.3	1,121.6	1,475.6
Y/Y Growth		97%	83%	99%	97%	94%	106%	92%	71%	62%	78%	46%	32%
Q/Q Growth		-2%	14%	26%	40%		2%	6%	13%	32%			
% of Total	82%	77%	73%	73%	71%	73%	70%	65%	66%	65%	66%	60%	54%
International													
Ad Revenue Per 1,000 Timeline Views	\$0.18	\$0.24	\$0.30	\$0.36	\$0.60	\$0.38	\$0.61	\$0.61	\$0.62	\$0.89	\$0.69	\$1.00	\$1.34
Y/Y Growth		119%	109%	111%	140%	112%	151%	106%	71%	48%	82%	45%	34%
Q/Q Growth		-4%	23%	22%	65%		1%	1%	1%	43%			
Ad Revenue Per Avg MAU	\$0.42	\$0.16	\$0.20	\$0.24	\$0.35	\$0.99	\$0.35	\$0.44	\$0.45	\$0.60	\$1.86	\$2.87	\$4.09
Y/Y Growth		185%	151%	130%	129%	139%	121%	117%	86%	70%	87%	54%	43%
Q/Q Growth		3%	28%	20%	45%		-1%	26%	3%	32%			
International Advertising Revenue	47.2	23.4	32.8	42.1	64.2	162.4	67.1	89.6	98.0	136.5	391.3	741.4	1,255.3
Y/Y Growth		342%	274%	232%	214%	244%	187%	173%	133%	113%	141%	89%	69%
Q/Q Growth		14%	41%	28%	53%		5%	34%	9%	39%			
% of Total	18%	23%	27%	27%	29%	27%	30%	35%	34%	35%	34%	40%	46%
Total													
Ad Revenue Per 1,000 Timeline Views	\$0.70	\$0.74	\$0.80	\$0.97	\$1.49	\$1.00	\$1.44	\$1.33	\$1.39	\$1.89	\$1.52	\$1.91	\$2.27
Y/Y Growth		18%	26%	49%	76%	43%	96%	66%	43%	27%	52%	26%	19%
Q/Q Growth		-13%	9%	21%	54%		-3%	-8%	4%	36%			
Ad Revenue Per Avg MAU	\$1.78	\$0.52	\$0.57	\$0.68	\$0.93	\$2.79	\$0.91	\$0.99	\$1.04	\$1.33	\$4.31	\$5.71	\$7.13
Y/Y Growth		48%	46%	58%	64%	56%	76%	72%	53%	43%	55%	32%	25%
Q/Q Growth		-9%	11%	19%	36%		-2%	8%	5%	28%			
Total Advertising Revenue	269.4	100.5	121.0	153.4	219.7	594.5	226.1	258.8	288.5	388.2	1,161.6	1,863.0	2,730.9
Y/Y Growth	247%	126%	113%	123%	121%	121%	125%	114%	88%	77%	95%	60%	47%
Q/Q Growth		1%	20%	27%	43%		3%	14%	11%	35%			
% Mix of Advertising Revenue													
United States	82%	77%	73%	73%	71%	73%	70%	65%	66%	65%	66%	60%	54%
International	18%	23%	27%	27%	29%	27%	30%	35%	34%	35%	34%	40%	46%

Source: J.P. Morgan estimates Company data.

Figure 21: Netflix Income Statement

	2012A	3/13A	6/13A	9/13A	12/13A	2013E	3/14A	6/14E	9/14E	12/14E	2014E	2015E	2016E
Total Net Revenues	\$3,609.3	\$1,024.0	\$1,069.4	\$1,106.0	\$1,175.2	\$4,374.6	\$1,270.1	\$1,334.7	\$1,391.8	\$1,463.6	\$5,460.2	\$6,744.4	\$8,311.0
Cost of Revenues													
Content Acquisition -- DVD Revenue Sharing & Amortization	304.8	50.0	55.0	50.0	35.0	190.0	40.0	40.0	40.0	40.0	160.0	140.0	120.0
Content Acquisition -- Streaming Content Amortization	1,734.7	576.3	606.0	651.3	685.1	2,518.7	733.1	784.6	833.7	858.4	3,209.8	3,895.8	4,797.3
Content Delivery -- DVD (Postage & Packaging)	281.7	75.3	66.2	62.4	65.5	269.3	66.8	59.4	53.3	46.4	225.9	193.8	177.1
Content Delivery -- Streaming	73.3	25.3	26.4	27.3	26.3	105.2	29.2	36.0	33.0	34.7	132.9	161.9	188.1
DVD & Advertising Sales	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Cost of Revenues	2,625.6	726.9	753.5	791.0	811.8	3,083.3	869.2	920.0	960.0	979.4	3,728.6	4,391.4	5,282.5
Gross Profit	983.7	297.1	315.8	315.0	363.4	1,291.3	400.9	414.7	431.8	484.2	1,731.6	2,352.9	3,028.5
Operating expenses													
Technology and development	287.8	82.0	83.1	85.5	88.1	338.8	95.3	106.8	104.4	106.8	413.3	505.8	615.0
Marketing	478.8	129.2	121.8	116.1	136.8	503.9	137.1	111.2	133.2	164.8	546.4	670.4	687.6
General and administrative	93.2	36.4	35.9	37.7	37.2	147.2	45.1	48.0	47.3	48.3	188.7	215.8	249.3
Restructuring related and other (gain on disposal of DVD)	-	-	-	-	-	-	-	-	-	-	-	-	-
Stock-based compensation	73.9	17.7	18.0	18.5	18.9	73.1	25.8	18.5	19.0	19.5	82.8	84.9	87.0
Amortization of other intangibles	-	-	-	-	-	-	-	-	-	-	-	-	-
Total operating expenses	933.7	265.3	258.7	257.9	281.1	1,063.0	303.3	284.5	304.0	339.5	1,231.2	1,477.0	1,639.0
Operating income	50.0	31.8	57.1	57.1	82.3	228.3	97.6	130.2	127.8	144.7	500.3	875.9	1,389.5
Operating income (ex. stock comp)	123.9	49.6	75.1	75.6	101.2	301.4	123.4	148.7	146.8	164.2	583.1	960.9	1,476.5
Contribution profit	498.7	167.9	194.1	198.9	226.5	787.4	263.8	303.5	298.5	319.3	1,185.2	1,682.5	2,340.9
Interest income	0.5	1.0	-	-	-	1.0	1.4	1.4	1.5	1.5	5.8	8.4	10.5
Interest expense	(20.0)	(31.9)	(10.5)	(7.6)	(8.3)	(58.3)	(10.1)	(10.0)	(10.0)	(10.0)	(40.1)	(40.0)	(40.0)
Total non-operating income (expenses)	(19.5)	(30.9)	(10.5)	(7.6)	(8.3)	(57.3)	(8.7)	(8.6)	(8.5)	(8.5)	(34.3)	(31.6)	(29.5)
Pre-tax income	30.5	0.9	46.6	49.5	74.0	171.1	88.9	121.6	119.2	136.2	466.0	844.3	1,360.0
Income tax provision	13.3	(1.8)	17.2	17.7	25.6	58.7	35.8	48.6	47.7	54.5	186.7	337.7	544.0
Income tax rate	43.7%	-189.1%	36.8%	35.7%	34.6%	34.3%	40.3%	40.0%	40.0%	40.0%	40.1%	40.0%	40.0%
GAAP Net income (loss)	17.2	2.7	29.5	31.8	48.4	112.4	53.1	73.0	71.5	81.7	279.4	506.6	816.0
GAAP Basic income (loss) per share	\$0.32	\$0.05	\$0.51	\$0.54	\$0.81	\$1.93	\$0.89	\$1.25	\$1.21	\$1.37	\$4.71	\$8.51	\$13.67
GAAP Diluted income (loss) per share	\$0.31	\$0.04	\$0.49	\$0.52	\$0.79	\$1.85	\$0.86	\$1.18	\$1.16	\$1.32	\$4.53	\$8.18	\$13.14
Basic shares outstanding	53.0	56.0	58.2	59.1	59.5	58.2	59.8	58.4	59.3	59.7	59.3	59.5	59.7
Diluted shares outstanding	54.6	60.1	60.6	61.0	61.3	60.8	61.5	61.6	61.7	61.8	61.7	61.9	62.1

GROWTH AND MARGINS

Y/Y GROWTH

	2012A	3/13A	6/13A	9/13A	12/13A	2013E	3/14A	6/14E	9/14E	12/14E	2014E	2015E	2016E
Total Revenues	12.6%	17.7%	20.3%	22.2%	24.3%	21.2%	24.0%	24.8%	25.8%	24.5%	24.8%	23.5%	23.2%
Gross profit	-15.7%	20.8%	28.5%	29.9%	45.7%	31.3%	34.9%	31.3%	37.1%	33.2%	34.1%	35.9%	28.7%
Total cash operating expenses	18.2%	7.0%	12.7%	13.9%	22.4%	13.8%	14.3%	10.0%	17.9%	20.8%	15.8%	20.0%	11.0%
Operating income	-86.7%	-174.5%	253.6%	254.0%	319.0%	356.8%	206.7%	128.0%	123.7%	75.9%	119.1%	75.1%	58.6%
Operating income (ex stock comp)	-71.7%	184.9%	116.9%	118.4%	171.1%	143.2%	149.0%	98.1%	94.2%	62.2%	93.4%	64.8%	53.7%
Pre-tax income	-91.5%	-113.2%	337.8%	314.3%	396.5%	461.3%	946.9%	160.7%	140.9%	84.1%	172.4%	81.2%	61.1%
GAAP net income	-92.4%	-158.7%	378.1%	314.6%	513.2%	555.3%	1875.3%	147.6%	124.8%	68.8%	148.5%	81.3%	61.1%
GAAP EPS	-92.5%	-154.1%	338.2%	299.2%	491.4%	488.6%	1830.3%	143.3%	122.1%	67.3%	144.7%	80.8%	60.6%
PF EPS	-76.9%	520.0%	135.3%	115.3%	239.5%	190.2%	24.0%	102.4%	87.5%	52.3%	62.6%	68.9%	55.2%
EBITDA	49.1%	48.6%	41.7%	40.2%	33.6%	40.4%	34.6%	83.6%	92.0%	64.9%	69.7%	21.6%	58.0%
EBITDA (excluding add back of DVD Amortization)	-64.8%	114.5%	90.8%	90.3%	131.4%	106.5%	120.4%	84.5%	82.5%	54.5%	80.5%	59.6%	51.2%

Q/Q GROWTH

	2012A	3/13A	6/13A	9/13A	12/13A	2013E	3/14A	6/14E	9/14E	12/14E	2014E	2015E	2016E
Total revenue		8.3%	4.4%	3.4%	6.3%		8.1%	5.1%	4.3%	5.2%			
% OF REVENUES													
Content Acquisition -- DVD Revenue Sharing & Amortization	8.4%	4.9%	5.1%	4.6%	3.1%	4.4%	3.1%	3.0%	2.9%	2.7%	2.9%	2.1%	1.4%
Content Acquisition -- Streaming Content Amortization	48.1%	56.3%	56.7%	58.9%	58.3%	57.6%	57.7%	58.8%	59.9%	58.6%	58.8%	57.8%	57.7%
Content Delivery -- DVD (Postage & Packaging)	7.8%	7.4%	6.2%	5.6%	5.6%	6.2%	5.3%	4.4%	3.8%	3.2%	4.1%	2.9%	2.1%
Content Delivery -- Streaming	2.0%	2.5%	2.5%	2.5%	2.2%	2.4%	2.3%	2.7%	2.4%	2.4%	2.4%	2.4%	2.3%
Total Cost of sales	72.7%	71.0%	70.5%	71.5%	69.1%	70.5%	68.4%	68.9%	69.0%	66.9%	68.3%	65.1%	63.6%
Technology and development	7.1%	8.0%	7.8%	7.7%	7.5%	7.7%	7.5%	8.0%	7.5%	7.3%	7.6%	7.5%	7.4%
Marketing	13.3%	12.6%	11.4%	10.5%	11.6%	11.5%	10.8%	8.3%	9.6%	11.3%	10.0%	9.9%	8.3%
General and administrative	2.9%	3.6%	3.4%	3.4%	3.2%	3.4%	3.5%	3.6%	3.4%	3.3%	3.5%	3.2%	3.0%
Total cash operating expenses	23.8%	24.2%	22.5%	21.6%	22.3%	22.6%	21.8%	19.9%	20.5%	21.9%	21.0%	20.6%	18.7%

MARGINS

	2012A	3/13A	6/13A	9/13A	12/13A	2013E	3/14A	6/14E	9/14E	12/14E	2014E	2015E	2016E
Gross margin	27.3%	29.0%	29.5%	28.5%	30.9%	29.5%	31.6%	31.1%	31.0%	33.1%	31.7%	34.9%	36.4%
Operating margin	1.4%	3.1%	5.3%	5.2%	7.0%	5.2%	7.7%	9.8%	9.2%	9.9%	9.2%	13.0%	16.7%
Operating margin (ex. stock comp)	3.4%	4.8%	7.0%	6.8%	8.6%	6.9%	9.7%	11.1%	10.5%	11.2%	10.7%	14.2%	17.8%
Contribution profit margin	13.8%	16.4%	18.1%	18.0%	19.3%	18.0%	20.8%	22.7%	21.4%	21.8%	21.7%	24.9%	28.2%
EBITDA margin	48.8%	53.5%	55.9%	57.9%	58.4%	56.5%	58.0%	82.2%	88.4%	77.4%	76.8%	75.7%	97.0%
EBITDA margin (excluding add back of DVD Amortization)	4.7%	6.0%	8.1%	7.9%	9.7%	8.0%	10.7%	12.0%	11.4%	12.0%	11.6%	14.9%	18.3%
Operating Leverage/Flow-through	-77.2%	21.3%	23.0%	20.6%	28.2%	23.6%	30.1%	27.7%	25.1%	21.6%	25.9%	29.3%	32.9%

Source: J.P. Morgan estimates Company data.

Figure 22: Netflix Drivers

SUBSCRIBER & REVENUE ANALYSIS	2012A	3/13A	6/13A	9/13A	12/13A	2013E	3/14A	6/14E	9/14E	12/14E	2014E	2015E	2016E
Domestic Streaming:													
Beginning Subscriptions	21.7	27.1	29.2	29.8	31.1	27.1	33.4	35.7	36.2	37.5	33.4	39.9	46.0
Y/Y Growth	1%	25%	25%	25%	24%	25%	23%	22%	21%	21%	23%	19%	15%
Net Subscription Additions	5.475	2.028	0.633	1.285	2.328	6.274	2.254	0.522	1.311	2.375	6.461	6.138	5.709
Y/Y Growth	2355%	17%	20%	10%	14%	15%	11%	-18%	2%	2%	3%	-5%	-7%
Domestic Streaming Ending Subscriptions	27.1	29.2	29.8	31.1	33.4	33.4	35.7	36.2	37.5	39.9	39.9	46.0	51.7
Y/Y Growth	25%	25%	25%	24%	23%	23%	22%	21%	21%	19%	19%	15%	12%
Ending Paid Subscriptions	25.5	27.9	28.6	29.9	31.7	31.7	34.4	35.7	36.2	38.0	38.0	44.2	49.7
Y/Y Growth	26%	27%	26%	26%	25%	25%	23%	25%	21%	20%	20%	16%	12%
Average Paid Subscriptions	22.8	26.7	28.3	29.3	30.8	28.6	33.0	35.03	35.9	37.1	34.9	41.1	46.9
Y/Y Growth	12%	27%	26%	26%	25%	25%	24%	24%	23%	20%	22%	18%	14%
Ending Free subscriptions	1.7	1.3	1.2	1.2	1.7	1.7	1.3	0.5	1.4	1.9	1.9	1.8	2.1
% Free subscriptions	6.6%	4.3%	4.0%	3.8%	5.1%	5.4%	3.6%	1.4%	3.6%	4.7%	4.9%	4.0%	4.0%
Monthly ASP	\$7.98	\$7.98	\$7.91	\$7.98	\$8.01	\$8.02	\$8.06	\$7.95	\$8.02	\$8.08	\$8.12	\$8.20	\$8.64
Domestic Streaming Revenue	2,184.9	638.6	671.1	701.1	740.6	2,751.4	798.6	835.5	864.8	899.1	3,398.1	4,045.3	4,864.7
Y/Y Growth	359%	26%	26%	26%	26%	26%	25%	25%	23%	21%	24%	19%	20%
COGS	1,558.9	436.5	449.5	470.6	492.5	1,849.2	517.1	553.3	572.7	578.4	2,221.4	2,510.2	2,911.8
Y/Y Growth		21%	19%	18%	17%	19%	18%	23%	22%	17%	20%	13%	16%
Q/Q Growth		4%	3%	5%	5%		5%	7%	4%	1%			
Mktg Expenses	257.0	70.8	70.3	64.0	74.4	279.5	80.3	58.5	52.4	66.5	257.7	276.2	285.4
Subscriber Acquisition Cost	\$46.9	\$34.9	\$111.1	\$49.8	\$32.0	\$44.5	\$35.6	\$112.0	\$40.0	\$28.0	\$39.9	\$45.0	\$50.0
COGS and Mktg Expenses	1,815.9	507.3	519.8	534.6	566.9	2,128.6	597.4	611.8	625.1	644.9	2,479.1	2,786.4	3,197.3
Y/Y Growth	334%	17%	17%	16%	19%	17%	18%	18%	17%	14%	16%	12%	15%
Contribution Profit	369.0	131.4	151.3	166.5	173.6	622.8	201.3	223.8	239.8	254.3	919.0	1,258.8	1,667.4
% Margin	16.9%	20.6%	22.5%	23.7%	23.4%	22.6%	25.2%	26.8%	27.7%	28.3%	27.0%	31.1%	34.3%
	2012A	3/13A	6/13A	9/13A	12/13A	2013E	3/14A	6/14E	9/14E	12/14E	2014E	2015E	2016E
International Streaming:													
Beginning Subscriptions	1.9	6.1	7.1	7.7	9.2	6.1	10.9	12.7	13.6	15.3	10.9	17.5	24.5
Y/Y Growth	265%	229%	133%	114%	113%	229%	79%	78%	76%	67%	79%	60%	40%
Net Subscription Additions	4.3	1.0	0.6	1.4	1.7	4.8	1.8	0.94	1.7	2.1	6.5	7.0	7.1
Y/Y Growth	216%	-15%	8%	110%	-4%	13%	72%	55%	20%	22%	36%	7%	2%
Int'l Streaming Ending Subscriptions	6.1	7.1	7.7	9.2	10.9	10.9	12.7	13.6	15.3	17.5	17.5	24.5	31.6
Y/Y Growth	229%	133%	114%	113%	79%	79%	78%	76%	67%	60%	60%	40%	29%
Ending Paid Subscriptions	4.9	6.3	7.0	8.1	9.7	9.7	11.8	12.8	14.0	15.9	15.9	22.5	29.3
Y/Y Growth	238%	163%	132%	119%	99%	99%	86%	82%	73%	64%	64%	42%	30%
Average Paid Subscriptions	3.2	5.6	6.7	7.5	8.9	7.3	10.7	12.3	13.4	14.9	12.8	19.2	25.9
Y/Y Growth	256%	191%	146%	125%	108%	131%	91%	84%	77%	68%	75%	50%	35%
Ending Free subscriptions	1.2	0.8	0.7	1.1	1.2	1.2	0.9	0.8	1.4	1.6	1.6	2.0	2.3
% Free subscriptions	20.1%	11.4%	9.5%	12.0%	11.1%	11.1%	7.3%	6%	9%	9%	9.0%	8.0%	7.2%
Monthly ASP	\$7.56	\$8.44	\$8.29	\$8.08	\$8.29	\$8.12	\$8.29	\$8.28	\$8.42	\$8.55	\$8.41	\$8.82	\$9.24
International Streaming Revenue	287.5	142.0	165.9	183.1	221.4	712.4	267.1	304.7	337.7	383.0	1,292.4	2,031.9	2,872.3
Y/Y Growth	247%	227%	155%	135%	118%	148%	88%	84%	84%	73%	81%	57%	41%
COGS	475.6	165.0	182.9	208.0	218.9	774.8	245.3	267.3	294.1	314.7	1,121.3	1,547.5	2,073.6
Y/Y Growth	342%	81%	68%	67%	45%	63%	49%	46%	41%	44%	45%	38%	34%
Q/Q Growth		9%	11%	14%	5%		12%	9%	10%	7%			
Mktg Expenses	201.1	53.9	48.9	49.4	59.8	212.0	56.8	49.7	77.8	95.3	279.7	384.2	393.2
Subscriber Acquisition Cost	\$47.2	\$52.8	\$80.7	\$34.3	\$34.4	\$44.1	\$32.4	\$53.00	\$45.00	\$45.00	\$42.8	\$55.0	\$55.0
COGS and Mktg Expenses	676.7	218.9	231.7	257.3	278.7	986.7	302.1	317.0	371.9	410.0	1,401.0	1,931.7	2,466.8
Y/Y Growth	264%	50%	50%	51%	35%	46%	38%	37%	45%	47%	42%	38%	28%
Contribution Profit	(389.1)	(76.9)	(65.8)	(74.3)	(57.3)	(274.3)	(35.0)	(12.4)	(34.2)	(27.0)	(108.6)	100.3	405.5
% Margin	-135.3%	-54.2%	-39.7%	-40.6%	-25.9%	-38.5%	-13.1%	-4.1%	-10.1%	-7.1%	-8.4%	4.9%	14.1%

Source: J.P. Morgan estimates, Company data

Figure 23: LinkedIn Income Statement

	2011A	2012A	3/13A	6/13A	9/13A	12/13A	2013A	3/14A	6/14E	9/14E	12/14E	2014E	2015E
Talent Solutions	260.9	523.6	184.3	205.1	224.7	245.6	859.7	275.9	293.2	305.8	322.2	1197.2	1539.3
Marketing Solutions	155.8	258.3	74.8	85.6	88.5	113.5	362.4	101.8	120.0	123.1	146.1	491.0	657.5
Premium Subscriptions	105.5	190.4	65.6	73.0	79.8	88.1	306.5	95.5	101.1	106.7	115.5	418.9	529.9
Net revenues	522.2	972.3	324.7	363.7	393.0	447.2	1,528.5	473.2	514.3	535.6	583.8	2,107.0	2,726.7
Cost of net revenues	79.8	119.1	39.6	45.4	49.3	53.1	187.3	56.6	64.3	67.0	73.0	260.8	349.0
Gross profit	442.4	853.2	285.1	318.3	343.7	394.2	1,341.2	416.6	450.0	468.7	510.9	1,846.1	2,377.7
Operating expenses													
Sales and marketing	156.6	307.2	102.6	113.4	123.3	146.6	485.9	154.3	161.5	166.0	183.9	665.8	818.0
Research and development	118.6	211.1	63.0	70.7	79.0	84.0	296.8	87.5	107.0	107.1	110.9	412.5	542.6
General and administrative	68.5	111.8	36.2	45.5	48.5	52.2	182.3	58.0	58.6	64.3	68.3	249.2	313.6
Stock based compensation	29.8	86.3	33.9	48.4	54.4	57.2	193.9	67.8	75.0	78.7	83.5	305.0	366.0
Depreciation and amortization	43.1	79.8	25.8	32.2	33.8	42.8	134.5	49.7	53.0	58.3	64.0	225.0	270.0
Total Operating Expenses	416.6	796.3	261.5	310.2	339.0	382.7	1,293.4	417.3	455.1	474.4	510.7	1,857.5	2,310.2
Operating income	25.8	56.9	23.6	8.1	4.636	11.4	47.8	(0.8)	(5.1)	(5.8)	0.2	(11.4)	67.5
PF Operating income	55.6	143.2	57.6	56.4	59.1	68.6	241.8	67.0	69.9	72.9	83.7	293.6	433.4
Other income (expense), net	(2.9)	0.3	(0.3)	(0.3)	0.2	1.820	1.4	1.0	1.7	3.3	2.6	8.7	11.3
Income (loss) before income taxes	22.9	57.1	23.3	7.8	4.8	13.3	49.2	0.3	(3.3)	(2.5)	2.8	(2.7)	78.7
Provision for income taxes (GAAP)	11.0	35.5	0.7	4.1	8.2	9.5	22.5	13.6	9.0	9.0	9.0	40.6	27.6
Tax Rate (GAAP)	48%	62%	3%	52%	170%	71%	46%	5184%	-270%	-367%	324%	-1481%	35%
Net income (loss)	11.9	21.6	22.6	3.7	(3.4)	3.8	26.8	(13.3)	(12.3)	(11.5)	(6.2)	(43.3)	51.2
Net income (loss) attributable to common stockholder	9.8	21.6	22.6	3.7	(3.4)	3.8	26.8	(13.3)	-12.3	(11.5)	(6.2)	(43.3)	51.2
Basic income (loss) per share	\$0.11	\$0.21	\$0.21	\$0.03	(\$0.03)	\$0.03	\$0.24	(\$0.11)	(\$0.10)	(\$0.09)	(\$0.05)	(\$0.37)	\$0.43
Diluted income (loss) per share	\$0.10	\$0.19	\$0.20	\$0.03	(\$0.03)	\$0.03	\$0.23	(\$0.11)	(\$0.10)	(\$0.09)	(\$0.05)	(\$0.36)	\$0.42
Basic shares outstanding	88.5	105.2	109.4	111.2	113.9	119.8	113.6	121.0	122.2	123.4	124.6	115.9	118.2
Diluted shares outstanding	102.5	112.8	115.4	116.6	113.9	124.4	117.6	121.0	122.2	123.4	124.6	120.0	122.4
PF Net Income Reconciliation:													
GAAP Net Income (Loss)	11.9	21.6	22.6	3.7	(3.4)	3.8	26.8	(13.3)	(12.3)	(11.5)	(6.2)	(43.3)	51.2
Stock based compensation	29.8	86.3	33.9	48.4	54.4	57.2	193.9	67.8	75.0	78.7	83.5	305.0	366.0
Amortization of Intangible Assets	3.6	9.9	2.8	5.7	3.8	4.1	16.4	4.8	6.3	6.3	6.3	23.6	30.6
Tax Effect	(8.8)	(17.5)	(7.0)	(13.3)	(8.1)	(16.8)	(45.2)	(11.9)	(18.8)	(19.7)	(20.9)	(71.2)	(91.5)
PF Net Income (loss)	36.5	100.4	52.4	44.5	46.8	48.2	191.9	47.3	50.2	53.8	62.7	214.0	356.3
PF basic income (loss) per share	\$0.41	\$0.95	\$0.48	\$0.40	\$0.41	\$0.40	\$1.69	\$0.39	\$0.41	\$0.44	\$0.50	\$1.85	\$3.01
PF diluted income (loss) per share	\$0.36	\$0.89	\$0.45	\$0.38	\$0.39	\$0.39	\$1.61	\$0.38	\$0.40	\$0.42	\$0.49	\$1.76	\$2.88
PF Basic shares outstanding	88.5	105.2	109.4	111.2	113.9	119.8	113.6	121.0	122.2	123.4	124.6	115.9	118.2
PF Diluted shares outstanding	102.5	112.8	115.4	116.6	113.9	124.4	118.9	124.9	126.1	127.4	128.6	121.3	123.7
EBITDA Reconciliation													
PF Operating Income	55.6	143.2	57.6	56.4	59.1	68.616	241.8	67.0	69.9	72.9	83.7	293.6	433.4
Depreciation and amortization	43.1	79.8	25.8	32.2	33.8	42.750	134.5	49.7	53.0	58.3	64.0	225.0	270.0
Adjusted EBITDA	98.7	223.1	83.4	88.6	92.8	111.4	376.3	116.7	122.9	131.2	147.7	518.6	703.5
Y/Y Growth													
Talent Solutions	156.1%	100.7%	79.7%	68.7%	62.3%	52.6%	64.2%	49.7%	43.0%	36.1%	31.2%	39.3%	28.6%
Marketing Solutions	96.5%	65.7%	56.0%	35.6%	38.2%	36.4%	40.3%	36.1%	40.2%	39.1%	28.8%	35.5%	33.9%
Premium Subscriptions	70.3%	80.6%	72.9%	67.7%	61.0%	48.3%	60.9%	45.6%	38.6%	33.7%	31.1%	36.7%	26.5%
Net revenues	114.8%	86.2%	72.3%	59.4%	55.9%	47.3%	57.2%	45.7%	41.4%	36.3%	30.6%	37.8%	29.4%
Cost of net revenues	79.7%	49.3%	62.7%	55.5%	56.1%	55.9%	57.2%	43.1%	41.8%	35.8%	37.5%	39.3%	33.8%
Sales and marketing	171.2%	96.2%	62.7%	58.8%	58.1%	54.7%	58.2%	50.5%	42.4%	34.7%	25.4%	37.0%	22.9%
Product development	91.7%	78.0%	52.8%	43.0%	36.0%	34.8%	40.6%	38.8%	51.3%	35.5%	32.1%	39.0%	31.5%
General and administrative	119.9%	63.2%	66.4%	63.9%	70.8%	54.0%	63.1%	60.4%	28.8%	32.6%	30.9%	36.7%	25.8%
Total operating expenses	132.5%	91.2%	70.3%	67.2%	58.1%	57.6%	62.4%	59.6%	46.7%	39.9%	33.4%	43.6%	24.4%
Operating income	NA	120.0%	122.8%	-40.0%	-23.2%	-57.2%	-15.9%	-103.2%	-162.7%	-224.5%	-98.1%	-123.8%	-691.8%
PF Operating income	NA	NA	148.0%	72.0%	79.9%	26.3%	68.8%	16.3%	23.9%	23.4%	22.0%	21.4%	47.6%
GAAP Net income	NA	NA	353.3%	32.8%	-246.1%	-67.1%	23.9%	-158.9%	-430.2%	240.5%	NA	-261.8%	-218.1%
PF Net income	NA	NA	209.5%	146.3%	86.1%	19.9%	91.2%	-9.6%	12.8%	15.0%	29.9%	11.5%	66.5%
PF diluted income (loss) per share	65.0%	149.9%	198.5%	137.2%	77.4%	9.9%	81.4%	-16.5%	4.4%	7.6%	25.6%	9.3%	63.2%
EBITDA	105.8%	126.0%	118.9%	76.0%	65.9%	41.7%	68.7%	39.9%	38.7%	41.3%	32.6%	37.8%	35.6%
Q/Q Growth													
Talent Solutions			14.5%	11.3%	9.5%	9.3%		12.3%	6.3%	4.3%	5.4%		
Marketing Solutions			-10.1%	14.4%	3.4%	28.2%		-10.3%	17.9%	2.6%	18.7%		
Premium Subscriptions			10.4%	11.2%	9.3%	10.5%		8.4%	5.8%	5.5%	8.3%		
Cost of net revenues			16.3%	14.6%	8.7%	7.6%		6.7%	13.5%	4.1%	9.0%		
Sales and marketing			8.2%	10.6%	8.7%	19.0%		5.2%	4.6%	2.8%	10.8%		
Product development			1.2%	12.2%	11.8%	6.2%		4.2%	22.3%	0.1%	3.6%		
General and administrative			6.7%	25.9%	6.5%	7.6%		11.1%	1.1%	9.6%	6.3%		
Net sales			6.9%	12.0%	8.1%	13.8%		5.8%	8.7%	4.1%	9.0%		
EBITDA			6.1%	6.3%	4.7%	19.9%		4.8%	5.3%	6.8%	12.6%		
PF diluted income (loss) per share			28.7%	-16.1%	3.0%	-1.3%		-2.2%	4.9%	6.2%	15.3%		
% of Revenues													
Talent Solutions	50.0%	53.8%	56.8%	56.4%	57.2%	54.9%	56.2%	58.3%	57.0%	57.1%	55.2%	56.8%	56.5%
Marketing Solutions	29.8%	26.6%	23.0%	23.5%	22.5%	25.4%	23.7%	21.5%	23.3%	23.0%	25.0%	23.3%	24.1%
Premium Subscriptions	20.2%	19.6%	20.2%	20.1%	20.3%	19.7%	20.1%	20.2%	19.7%	19.9%	19.8%	19.9%	19.4%
Sales and marketing	30.0%	31.6%	31.6%	31.2%	31.4%	32.8%	31.8%	32.6%	31.4%	31.0%	31.5%	31.6%	30.0%
R&D	22.7%	21.7%	19.4%	19.4%	20.1%	18.8%	19.4%	18.5%	20.8%	20.0%	19.0%	19.6%	19.9%
General and administrative	13.1%	11.5%	11.1%	12.5%	12.3%	11.7%	11.9%	12.3%	11.4%	12.0%	11.7%	11.8%	11.5%
Total operating expenses	79.8%	81.9%	80.5%	85.3%	86.3%	85.6%	84.6%	88.2%	88.5%	88.6%	87.5%	88.2%	84.7%
Margins													
Gross margin	84.7%	87.7%	87.8%	87.5%	87.5%	88.1%	87.7%	88.0%	87.5%	87.5%	87.5%	87.6%	87.2%
Operating margin	4.9%	5.8%	7.3%	2.2%	1.2%	2.6%	3.1%	-0.2%	-1.0%	-1.1%	0.0%	-0.5%	2.5%
PF Operating margin	10.6%	14.7%	17.7%	15.5%	15.0%	15.3%	15.8%	14.2%	13.6%	13.6%	14.3%	13.9%	15.9%
EBITDA margin	18.9%	22.9%	25.7%	24.4%	23.6%	24.9%	24.6%	24.7%	23.9%	24.5%	25.3%	24.6%	25.8%
Operating Leverage (Δ in EBITDA / Δ in revenues)	18.2%	27.6%	33.3%	28.3%	26.2%	22.8%	27.5%	22.4%	22.8%	26.9%	26.6%	24.6%	29.8%

Source: J.P. Morgan estimates Company data.

Figure 24: LinkedIn Drivers

	2012A	3/13A	6/13A	9/13A	12/13A	2013A	3/14A	6/14E	9/14E	12/14E	2014E	2015E	2016E
Talent Solutions													
Corporate Solutions Customers (ending)	16,409	18,138	20,256	22,001	24,444	24,444	25,844	27,244	28,601	30,555	30,555	37,583	45,099
Y/Y Growth	78%	72%	65%	57%	49%	49%	42%	35%	30%	25%	25%	23%	20%
Q/Q Growth		11%	12%	9%	11%		6%	5%	5%	7%			
Revs/Customer/Month	\$3,514	\$3,556	\$3,561	\$3,545	\$3,526	\$3,547	\$3,657	\$3,682	\$3,651	\$3,631	\$3,655	\$3,765	\$3,857
Y/Y Growth	-0.4%	2.8%	0.2%	0.9%	-0.1%	0.9%	2.8%	3.4%	3.0%	3.0%	3.1%	3.0%	2.5%
Q/Q Growth		1%	0%	0%	-1%		4%	1%	-1%	-1%			
TALENT SOLUTIONS REVENUE (\$M)	523.6	184.3	205.1	224.7	245.6	859.7	275.9	293.2	305.8	322.2	1197.2	1539.3	1913.6
Y/Y Growth	101%	80%	69%	62%	53%	64%	50%	43%	36%	31%	39%	29%	24%
Q/Q Growth		14%	11%	10%	9%		12%	6%	4%	5%			
MARKETING SOLUTIONS													
Page Views (millions)	37,481	11,100	11,700	11,600	10,600	45,000	11,500	12,753	13,004	12,190	49,447	56,864	65,393
Y/Y Growth	27%	18%	25%	30%	8%	20%	4%	9%	12%	15%	10%	15%	15%
Q/Q Growth		13%	5%	-1%	-9%		8%	11%	2%	-6%			
Unit Impressions (000)	77,551	23,585	27,001	27,657	30,502	108,745	30,566	35,371	35,954	38,128	140,019	173,623	204,876
Y/Y Growth	64%	54%	36%	38%	36%	40%	30%	31%	30%	25%	29%	24%	18%
Q/Q Growth		5%	14%	2%	10%		0%	16%	2%	6%			
Unit Impressions as a % of Page Views	0.21%	0.21%	0.23%	0.24%	0.29%	0.24%	0.27%	0.28%	0.28%	0.31%	0.28%	0.31%	0.31%
Blended CPM	\$3.33	\$3.17	\$3.17	\$3.20	\$3.72	\$3.33	\$3.33	\$3.39	\$3.42	\$3.83	\$3.51	\$3.79	\$4.09
Y/Y Growth	1%	1%	0%	0%	2%	0%	5%	7%	7%	3%	5%	8%	8%
Q/Q Growth		-15%	0%	1%	16%		-10%	2%	1%	12%			
MARKETING SOLUTIONS REVENUE (\$M)	258.3	74.8	85.6	88.5	113.5	362.4	101.8	120.0	123.1	146.1	491.0	657.5	837.9
Y/Y Growth	66%	56%	36%	38%	36%	40%	36%	40%	39%	29%	35%	34%	27%
Q/Q Growth		-10%	14%	3%	28%		-10%	18%	3%	19%			
PREMIUM SUBSCRIPTIONS													
# of Subscriptions (ending)	624,298	693,153	715,779	870,210	874,017	874,017	901,098	923,355	1,096,464	1,081,159	1,081,159	1,264,956	1,454,699
Y/Y Growth	60%	50%	45%	55%	40%	40%	30%	29%	26%	24%	24%	17%	15%
Q/Q Growth		11%	3%	22%	0%		3%	2%	19%	-1%			
Rev/Subscriber/Month	\$31.19	\$33.21	\$34.53	\$33.54	\$33.68	\$33.74	\$35.88	\$36.95	\$35.21	\$35.37	\$35.85	\$37.64	\$39.15
Y/Y Growth	0%	12%	14%	7%	1%	8%	8%	7%	5%	5%	6%	5%	4%
Q/Q Growth		-1%	4%	-3%	0%		7%	3%	-5%	0%			
PREMIUM SUBSCRIPTIONS REVENUE (\$M)	190.4	65.6	73.0	79.8	88.1	306.5	95.5	101.1	106.7	115.5	418.9	529.9	638.9
Y/Y Growth	81%	73%	68%	61%	48%	61%	46%	39%	34%	31%	37%	27%	21%
Q/Q Growth		10%	11%	9%	10%		8%	6%	6%	8%			
TOTAL REVENUE (\$M)	972.3	324.7	363.7	393.0	447.2	1528.5	473.2	514.3	535.6	583.8	2,107.0	2,726.7	3,390.4
Y/Y Growth	86%	72%	59%	56%	47%	57%	46%	41%	36%	31%	38%	29%	24%
Q/Q Growth		7%	12%	8%	14%		6%	9%	4%	9%			
Revenue Mix													
Talent Solutions	54%	57%	56%	57%	55%	56%	58%	57%	57%	55%	57%	56%	56%
Marketing Solutions	27%	23%	24%	23%	25%	24%	22%	23%	23%	25%	23%	24%	25%
Premium Subscriptions	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	19%	19%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Source: J.P. Morgan estimates Company data.

Figure 25: TRIP Income Statement

	2012A	3/13A	6/13A	9/13A	12/13A	2013A	3/14A	6/14E	9/14E	12/14E	2014E	2015E	2016E
Total Revenues	763.0	229.9	246.9	255.1	212.7	944.7	281.0	321.1	340.8	288.0	1,230.9	1,532.1	1,853.5
Costs of revenues	12.1	3.6	4.3	5.2	4.6	17.7	8.0	8.0	8.5	6.6	31.2	30.6	37.1
Gross Profit	750.9	226.3	242.7	249.9	208.1	926.9	273.0	313.1	332.3	281.4	1,199.7	1,501.5	1,816.5
Operating expenses:													
Selling and marketing (ex-SBC)	261.6	77.0	80.3	95.4	105.0	357.7	98.0	117.5	126.8	121.0	463.3	582.2	695.1
Technology and content (ex-SBC)	75.2	22.4	27.9	28.9	30.4	109.6	32.0	34.7	37.1	37.4	141.3	162.4	189.1
General and administrative (ex-SBC)	61.6	17.5	21.6	21.2	20.5	80.9	21.0	27.3	27.9	27.1	103.3	122.6	139.0
Stock-based compensation	30.1	13.6	10.2	11.7	13.5	49.0	14.0	19.3	20.4	17.3	71.0	91.9	111.2
Related-party shared services fee	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation	20.0	6.3	6.9	7.6	8.7	29.5	10.0	12.0	12.8	13.0	47.8	52.6	57.8
Amortization of intangible assets	6.1	1.1	1.6	1.4	1.5	5.7	2.0	1.9	2.0	1.7	7.7	7.7	9.3
Spin-off costs	-	-	-	-	-	-	-	-	-	-	-	-	-
Total operating expenses	454.6	138.0	148.5	166.2	179.6	632.4	177.0	212.8	227.1	217.4	834.3	1,019.3	1,201.4
GAAP Operating income (loss)	296.3	88.3	94.1	83.7	28.5	294.6	96.0	100.4	105.1	63.9	365.4	482.1	615.0
Total other income (expense)	(14.3)	(3.9)	(4.2)	(0.1)	(1.7)	(9.9)	(2.0)	(2.4)	(1.0)	(2.4)	(7.8)	(5.8)	(4.4)
Earnings (loss) before taxes	282.0	84.4	89.9	83.6	26.7	284.7	94.0	98.0	104.1	61.5	357.6	476.3	610.6
Provision for income taxes	(87.4)	(22.1)	(22.9)	(27.7)	(6.5)	(79.3)	(26.0)	(27.4)	(29.2)	(17.2)	(99.8)	(133.4)	(171.0)
Effective tax rate	31%	26%	25%	33%	24%	28%	28%	28%	28%	28%	28%	28%	28%
Net income (loss)	194.6	62.3	67.0	55.9	20.3	205.4	68.0	70.5	75.0	44.3	257.8	342.9	439.7
Net loss attributable to noncontrolling interest	(0.5)	-	-	-	-	-	-	-	-	-	-	-	-
GAAP Net Income (loss)	194.1	62.3	67.0	55.9	20.3	205.4	68.0	70.5	75.0	44.3	257.8	342.9	439.7
GAAP Diluted EPS	\$1.37	\$0.43	\$0.46	\$0.38	\$0.14	\$1.41	\$0.47	\$0.48	\$0.51	\$0.30	\$1.75	\$2.26	\$2.82
Diluted Shares Outstanding-Weighted Avg Shares	141.9	145.1	145.7	145.5	145.3	145.4	146.5	145.9	147.4	148.8	147.1	151.5	155.9
Adjusted Net Income Reconciliation													
Pre-Tax Income	282.0	84.4	89.9	83.6	26.7	284.7	94.0	98.0	104.1	61.5	357.6	476.3	610.6
Plus: Non-GAAP Charges (incl SBC, amort, spin costs)	36.2	14.7	11.8	13.1	15.0	54.7	16.0	21.2	22.5	19.0	78.7	99.6	120.5
Minus: Tax Effect	98.6	26.1	26.1	31.4	11.3	94.5	30.3	33.4	35.5	22.6	121.8	161.2	204.7
Adjusted Net Income	219.6	73.1	75.7	65.3	30.5	244.9	79.7	85.8	91.2	58.0	314.5	414.6	526.4
Adjusted EPS	\$1.55	\$0.50	\$0.52	\$0.45	\$0.21	\$1.68	\$0.54	\$0.59	\$0.62	\$0.39	\$2.14	\$2.74	\$3.38
EBITA (OIBA) & EBITDA Calculation:													
Operating income (GAAP)	296.3	88.3	94.1	83.7	28.5	294.6	96.0	100.4	105.1	63.9	365.4	482.1	615.0
Amortization of intangible assets	6.1	1.1	1.6	1.4	1.5	5.7	2.0	1.9	2.0	1.7	7.7	7.7	9.3
Stock-based compensation	30.1	13.6	10.2	11.7	13.5	49.0	14.0	19.3	20.4	17.3	71.0	91.9	111.2
Spin-off costs	-	-	-	-	-	-	-	-	-	-	-	-	-
EBITA (OIBA)	332.5	103.0	106.0	96.8	43.5	349.3	112.0	121.6	127.6	82.9	444.1	581.7	735.5
Depreciation	20.0	6.3	6.9	7.6	8.7	29.5	10.0	12.0	12.8	13.0	47.8	52.6	57.8
EBITDA	352.5	109.3	112.8	104.4	52.2	378.8	122.0	133.6	140.4	95.9	491.9	634.3	793.3
Y/Y GROWTH													
Net Revenue	19.8%	25.1%	25.3%	19.9%	25.5%	23.8%	22.2%	30.0%	33.6%	35.4%	30.3%	24.5%	21.0%
Cost of revenues	11.0%	33.3%	46.4%	81.1%	29.4%	46.7%	119.5%	87.4%	63.6%	44.7%	76.0%	-1.7%	21.0%
Gross profit	19.9%	25.0%	24.9%	19.1%	25.5%	23.4%	20.6%	29.0%	32.9%	35.2%	29.4%	25.1%	21.0%
Selling and marketing (ex-SBC)	27.0%	16.1%	26.9%	43.6%	60.2%	36.7%	27.3%	46.3%	32.9%	15.2%	29.5%	25.7%	19.4%
Technology and content (ex-SBC)	40.6%	37.3%	45.6%	42.1%	56.6%	45.7%	42.7%	24.4%	28.4%	23.1%	28.9%	15.0%	16.4%
General and administrative (ex-SBC)	78.1%	23.9%	45.7%	32.7%	23.6%	31.4%	19.8%	26.3%	31.9%	31.8%	27.8%	18.6%	13.4%
Amortization of intangible assets	-18.8%	-39.7%	-7.4%	10.2%	29.0%	-6.2%	80.3%	18.2%	41.7%	11.6%	34.3%	-0.5%	21.0%
Total Operating expense	28.6%	28.2%	34.4%	41.4%	51.1%	39.1%	28.3%	43.2%	36.6%	21.1%	31.9%	22.2%	17.9%
Operating Income	8.6%	20.3%	12.5%	-9.3%	-39.4%	-0.6%	8.7%	6.6%	25.6%	124.7%	24.1%	31.9%	27.6%
Net Income	9.2%	29.5%	26.3%	-5.9%	-39.6%	5.9%	9.2%	5.3%	34.2%	118.5%	25.5%	33.0%	28.2%
Diluted EPS	3.8%	22.1%	23.5%	-6.7%	-40.1%	3.3%	8.7%	5.1%	32.4%	113.4%	24.0%	29.2%	24.5%
Adjusted EPS	5.1%	31.0%	25.2%	-1.6%	-26.7%	8.9%	8.0%	13.2%	37.9%	85.6%	26.9%	28.1%	23.3%
EBITDA	9.2%	29.9%	16.4%	-2.5%	-18.9%	7.5%	11.6%	18.4%	34.5%	83.9%	29.9%	28.9%	25.1%
% OF REVENUES													
Cost of revenues	1.6%	1.6%	1.7%	2.0%	2.2%	1.9%	2.8%	2.5%	2.5%	2.3%	2.5%	2.0%	2.0%
Selling and marketing (ex-SBC)	34.3%	33.5%	32.5%	37.4%	49.4%	37.9%	34.9%	36.6%	37.2%	42.0%	37.6%	38.0%	37.5%
Technology and content (ex-SBC)	9.9%	9.7%	11.3%	11.3%	14.3%	11.6%	11.4%	10.8%	10.9%	13.0%	11.5%	10.6%	10.2%
General and administrative (ex-SBC)	8.1%	7.6%	8.8%	8.3%	9.7%	8.6%	7.5%	8.5%	8.2%	9.4%	8.4%	8.0%	7.5%
Stock-based compensation	3.9%	5.9%	4.1%	4.6%	6.3%	5.2%	5.0%	6.0%	6.0%	6.0%	5.8%	6.0%	6.0%
Amortization of intangible assets	0.8%	0.5%	0.7%	0.6%	0.7%	0.6%	0.7%	0.6%	0.6%	0.6%	0.6%	0.5%	0.5%
Depreciation and Amortization	3.4%	3.2%	3.4%	3.6%	4.8%	3.7%	4.3%	4.4%	4.4%	5.1%	4.5%	3.9%	3.6%
Spin-off costs	-	-	-	-	-	-	-	-	-	-	-	-	-
MARGINS													
Gross margin	98.4%	98.4%	98.3%	98.0%	97.8%	98.1%	97.2%	97.5%	97.5%	97.7%	97.5%	98.0%	98.0%
Operating margin	38.8%	38.4%	38.1%	32.8%	13.4%	31.2%	34.2%	31.3%	30.9%	22.2%	29.7%	31.5%	33.2%
EBITDA margin	46.2%	47.6%	45.7%	40.9%	24.5%	40.1%	43.4%	41.6%	41.2%	33.3%	40.0%	41.4%	42.8%
Operating leverage (Δ EBITDA / Δ Revenue)	23.5%	54.4%	32.0%	-6.2%	-28.1%	14.5%	24.8%	28.0%	42.0%	58.1%	39.5%	47.3%	49.5%

Source: J.P. Morgan estimates Company data.

Figure 26: TRIP Segment Breakdown

	2012A	3/13A	6/13A	9/13A	12/13A	2013A	3/14A	6/14E	9/14E	12/14E	2014E	2015E	2016E
Revenue by Segments													
Click-based advertising	587.7	179.4	182.8	189.3	144.4	695.9	207.4	229.8	247.0	193.5	877.7	1,070.8	1,287.1
Y/Y Growth	17.5%	23.8%	21.0%	12.7%	16.7%	18.4%	15.6%	25.7%	30.5%	34.0%	26.1%	22.0%	20.2%
Q/Q growth		45.0%	1.9%	3.6%	-23.7%		43.6%	10.8%	7.5%	-21.7%			
Display-based advertising	94.1	24.6	31.4	30.5	32.5	119.0	31.5	36.8	35.1	34.8	138.2	160.4	181.2
Y/Y Growth	9.8%	13.9%	18.0%	29.2%	45.6%	26.4%	28.3%	17.4%	15.0%	7.0%	16.2%	16.0%	13.0%
Q/Q growth		10.2%	27.6%	-2.9%	6.6%		-2.9%	16.8%	-4.8%	-0.9%			
Subscription and other	81.1	25.9	32.7	35.3	35.8	129.8	42.1	54.5	58.7	59.7	215.0	300.9	385.2
Y/Y Growth	57.9%	50.6%	68.3%	67.5%	53.2%	60.0%	62.3%	66.5%	66.0%	67.0%	65.7%	40.0%	28.0%
Q/Q growth		11.0%	26.3%	7.9%	1.2%		17.6%	29.6%	7.6%	1.8%			
Total Revenue	763.0	229.9	246.9	255.1	212.7	944.7	281.0	321.1	340.8	288.0	1,230.9	1,532.1	1,853.5
Y/Y growth	19.8%	25.1%	25.3%	19.9%	25.5%	23.8%	22.2%	30.0%	33.6%	35.4%	30.3%	24.5%	21.0%
Q/Q growth		35.7%	7.4%	3.3%	-16.6%		32.1%	14.3%	6.1%	-15.5%			
Seasonality		24.3%	26.1%	27.0%	22.5%		22.8%	26.1%	27.7%	23.4%			
% OF REVENUE													
Click-based advertising	77%	78%	74%	74%	68%	74%	74%	72%	72%	67%	71%	70%	69%
Display-based advertising	12%	11%	13%	12%	15%	13%	11%	11%	10%	12%	11%	10%	10%
Subscription and other	11%	11%	13%	14%	17%	14%	15%	17%	17%	21%	17%	20%	21%
TOTAL	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Revenue by Geography													
North America	408.8	121.5	133.6	129.6	108.8	493.5	146.0						
Y/Y Growth	13%	21%	25%	16%	22%	21%	20%						
EMEA	240.5	71.3	73.4	82.7	63.7	291.1	90.0						
Y/Y Growth	10%	21%	16%	19%	30%	21%	26%						
APAC	81.8	26.9	30.0	33.0	32.0	121.9	35.0						
Y/Y Growth	80%	60%	55%	45%	40%	49%	30%						
LATAM	31.9	10.2	9.9	9.8	8.2	38.1	10.0						
Y/Y Growth	136%	36%	34%	11%	0%	19%	-2%						
Total Revenues	763.0	229.9	246.9	255.1	212.7	944.7	281.0	321.1	340.8	288.0	1,230.9	1,532.1	1,853.5
Y/Y Growth	20%	25%	25%	20%	26%	24%	22%				30%	24%	21%
% of Total Revenue													
North America	54%	53%	54%	51%	51%	52%	52%						
EMEA	32%	31%	30%	32%	30%	31%	32%						
APAC	11%	12%	12%	13%	15%	13%	12%						
LATAM	4%	4%	4%	4%	4%	4%	4%						
Employees	1,575	1,687	1,799	1,939	2,017	2,017	2,102						
Y/Y Growth	26%	30%	29%	31%	28%	28%	25%						

Source: J.P. Morgan estimates Company data.

Figure 27: Expedia Income Statement

\$ in millions, except per-share data

	2012A	3/13A	6/13A	9/13A	12/13A	2013A	3/14A	6/14E	9/14E	12/14E	2014E	2015E	2016E
Revenue	4,030.3	1,012.4	1,205.0	1,401.9	1,152.0	4,771.3	1,200.4	1,429.1	1,685.4	1,365.7	5,680.6	6,428.8	7,071.6
Cost of revenue	895.3	249.5	261.8	275.4	247.5	1,034.3	293.4	308.7	328.7	292.3	1,223.0	1,369.3	1,492.1
Gross Profit	3,135.0	762.8	943.2	1,126.4	904.5	3,737.0	907.0	1,120.4	1,356.8	1,073.4	4,457.6	5,059.4	5,579.5
Operating Expenses													
Selling and marketing	1,707.6	491.9	586.8	621.4	479.9	2,180.0	619.4	703.1	763.5	575.0	2,661.0	2,976.5	3,210.5
General and administrative	313.6	84.7	84.9	84.5	89.9	344.0	86.3	88.6	91.0	98.3	364.3	411.4	452.6
Technology and content	468.8	132.9	136.0	138.4	150.0	557.4	157.4	160.1	166.9	177.5	661.9	745.7	813.2
Amortization of non-cash distrib. & mktg	-	-	-	-	-	-	-	-	-	-	-	-	-
Amortization of non-cash compensation	-	-	-	-	-	-	-	-	-	-	-	-	-
Amortization of intangible assets	31.7	12.6	18.8	18.5	21.8	71.7	18.5	18.8	18.5	21.8	77.7	77.7	77.7
Impairment of intangible asset	-	-	-	-	-	-	-	-	-	-	-	-	-
Other (merger costs & restructuring charges)	-	-	-	-	-	-	-	-	-	-	-	-	-
Legal reserves, occupancy tax and other	117.0	128.0	6.2	6.9	3.2	144.4	3.5	6.6	7.2	3.4	20.7	21.8	22.8
Less: Adjusted Stock-based compensation	64.6	18.4	16.1	18.0	21.0	73.5	24.8	17.7	19.8	23.1	85.4	94.0	103.4
Operating Income	431.7	(105.6)	94.3	238.7	138.7	366.1	(3.0)	125.5	289.8	174.3	586.7	732.4	899.3
Other Income	(81.7)	(13.6)	(6.9)	(26.6)	(18.3)	(65.4)	(16.5)	(5.4)	(25.1)	(16.5)	(63.5)	(57.7)	(52.5)
Income (loss) before taxes and minority interest	350.1	(119.3)	87.4	212.1	120.5	300.7	(19.5)	120.1	264.7	157.8	523.2	674.6	846.8
Provision for income taxes	47.1	(11.9)	24.4	45.4	26.5	84.3	0.3	30.0	66.2	39.4	136.0	155.2	186.3
Effective tax rate	13.4%	NM	27.9%	21.4%	NM	28.0%	NM	25.0%	25.0%	25.0%	26.0%	23.0%	22.0%
Income from Continuing Ops	303.0	(107.4)	63.0	166.7	94.0	216.4	(19.8)	90.1	198.6	118.3	387.2	519.5	660.5
Net Income Attributable to non-controlling int.	(0.3)	3.1	8.5	4.1	0.7	16.5	5.5	(4.6)	(4.6)	(4.6)	(8.3)	(25.7)	(33.4)
GAAP Net Income (Cont. Ops)	302.7	(104.2)	71.5	170.9	94.7	232.9	(14.3)	85.5	194.0	113.8	378.9	493.8	627.1
GAAP EPS	\$2.16	(\$0.77)	\$0.51	\$1.22	\$0.70	\$1.68	(\$0.11)	\$0.65	\$1.47	\$0.86	\$2.88	\$3.78	\$4.83
Diluted shares outstanding	139.9	135.6	141.1	140.5	135.6	138.2	130.6	131.4	132.2	133.0	131.8	130.8	129.8
Adjusted Net Income	488.2	35.3	90.5	200.9	125.3	452.0	21.5	114.4	224.7	146.5	507.1	622.9	760.0
Adjusted EPS (Reported)	\$3.46	\$0.25	\$0.64	\$1.43	\$0.92	\$3.22	\$0.16	\$0.86	\$1.68	\$1.09	\$3.79	\$4.69	\$5.76
Adjusted Diluted Shares outstanding	141.2	142.0	141.8	140.9	135.9	140.2	135.4	132.7	133.5	134.3	133.9	132.9	131.9
EBITA and EBITDA Reconciliation													
Operating income	431.7	(105.6)	94.3	238.7	138.7	366.1	(3.0)	125.5	289.8	174.3	586.7	732.4	899.3
Realized gain/loss on revenue hedges	(8.8)	2.9	5.1	4.8	(1.5)	11.3	0.8	-	-	-	0.8	-	-
Amortization and other	148.7	140.6	25.1	25.4	25.05	216.1	22.0	25.4	25.7	25.2	98.4	99.4	100.5
Stock-based Compensation	64.6	18.4	16.1	18.0	20.97	73.5	24.8	17.7	19.8	23.1	85.4	94.0	103.4
Depreciation	164.2	48.9	51.1	53.0	58.8	211.7	62.1	56.3	58.3	64.7	241.3	265.4	292.0
EBITDA	800.5	105.1	191.7	339.9	242.0	878.7	106.8	224.9	393.7	287.3	1,012.6	1,191.2	1,395.1

	2012A	3/13A	6/13A	9/13A	12/13A	2013A	3/14A	6/14E	9/14E	12/14E	2014E	2015E	2016E
Y/Y GROWTH													
Revenue	16.9%	24.0%	15.9%	16.9%	18.2%	18.4%	18.6%	18.6%	20.2%	18.5%	19.1%	13.2%	10.0%
Cost of revenue	18.1%	25.3%	14.4%	13.4%	10.3%	15.5%	17.6%	17.9%	19.3%	18.1%	18.2%	12.0%	9.0%
Gross profit	16.5%	23.6%	16.3%	17.8%	20.5%	19.2%	18.9%	18.8%	20.4%	18.7%	19.3%	13.5%	10.3%
Selling and marketing expense	16.8%	32.0%	33.0%	23.6%	22.8%	27.7%	25.9%	19.8%	22.9%	19.8%	22.1%	11.9%	7.9%
General & administrative expense	13.9%	18.8%	13.9%	9.2%	-0.6%	9.7%	2.0%	4.4%	7.7%	9.4%	5.9%	13.0%	10.0%
Technology & content expense	27.6%	27.0%	21.3%	13.8%	15.1%	18.9%	18.5%	17.7%	20.5%	18.3%	18.8%	12.7%	9.1%
GAAP Net Income (Cont. Ops)	-6.6%	NM	-32.1%	0.5%	NM	-23.1%	NM	19.6%	13.5%	20.1%	62.7%	30.3%	27.0%
GAAP EPS	-7.4%	-619.4%	-33.5%	1.2%	1319.7%	-22.1%	-85.7%	28.5%	20.7%	22.5%	70.7%	31.3%	28.0%
Adjusted EPS	25.9%	-5.0%	-28.6%	8.1%	47.0%	-6.7%	-36.2%	35.2%	18.1%	18.4%	17.4%	23.8%	22.9%
EBITDA	12.6%	3.3%	-13.1%	15.8%	31.1%	9.8%	1.6%	17.3%	15.8%	18.7%	15.2%	17.6%	17.1%
% OF REVENUE													
Cost of revenue	22.2%	24.6%	21.7%	19.6%	21.5%	21.7%	24.4%	21.6%	19.5%	21.4%	21.5%	21.3%	21.1%
Gross profit	77.8%	75.4%	78.3%	80.4%	78.5%	78.3%	75.6%	78.4%	80.5%	78.6%	78.5%	78.7%	78.9%
Selling and marketing expense	42.4%	48.6%	48.7%	44.3%	41.7%	45.7%	51.6%	49.2%	45.3%	42.1%	46.8%	46.3%	45.4%
General & administrative expense	7.8%	8.4%	7.0%	6.0%	7.8%	7.2%	7.2%	6.2%	5.4%	7.2%	6.4%	6.4%	6.4%
Technology & content expense	11.6%	13.1%	11.3%	9.9%	13.0%	11.7%	13.1%	11.2%	9.9%	13.0%	11.7%	11.6%	11.5%
Operating Income	10.7%	-10.4%	7.8%	17.0%	12.0%	7.7%	-0.2%	8.8%	17.2%	12.8%	10.3%	11.4%	12.7%
Net Income	7.5%	-10.3%	5.9%	12.2%	8.2%	4.9%	-1.2%	6.0%	11.5%	8.3%	6.7%	7.7%	8.9%
EBITDA	19.9%	10.4%	15.9%	24.2%	21.0%	18.4%	8.9%	15.7%	23.4%	21.0%	17.8%	18.5%	19.7%

Source: J.P. Morgan estimates Company data.

Figure 28: Expedia Revenue Analysis

	2012A	3/13A	6/13A	9/13A	12/13A	2013A	3/14A	6/14E	9/14E	12/14E	2014E	2015E	2016E
GROSS BOOKINGS BY GEOGRAPHY													
Domestic	19,958	5,484	5,848	5,828	4,982	22,142	7,427	7,926	7,910	6,736	29,999	32,548	34,664
Y/Y Growth	13.5%	7.2%	6.6%	13.1%	18.6%	10.9%	35.4%	35.5%	35.7%	35.2%	35.5%	8.5%	6.5%
Q/Q Growth		30.5%	6.6%	-0.3%	-14.5%		49.1%	6.7%	-0.2%	-14.8%			
% of total bookings	59%	56%	58%	56%	55%	56%	59%	60%	58%	57%	59%	57%	55%
International	14,002	4,297	4,273	4,609	4,122	17,301	5,197	5,179	5,623	4,979	20,978	24,796	28,888
Y/Y Growth	20.8%	30.0%	23.1%	18.1%	24.0%	23.6%	20.9%	21.2%	22.0%	20.8%	21.3%	18.2%	16.5%
Q/Q Growth		29.3%	-0.6%	7.9%	-10.6%		26.1%	-0.3%	8.6%	-11.4%			
% of total bookings	41%	44%	42%	44%	45%	44%	41%	40%	42%	43%	41%	43%	45%
Total Gross Bookings	33,960	9,781	10,121	10,437	9,104	39,443	12,624	13,105	13,533	11,715	50,977	57,345	63,552
Y/Y Growth	16.4%	16.2%	13.0%	15.2%	21.0%	16.1%	29.1%	29.5%	29.7%	28.7%	29.2%	12.5%	10.8%
Q/Q Growth		30.0%	3.5%	3.1%	-12.8%		38.7%	3.8%	3.3%	-13.4%			
Seasonality		25%	26%	26%	23%		25%	26%	27%	23%			
NET REVENUE BY GEOGRAPHY (EX TRIP)													
Domestic (ex TRIP)	2,227	558	664	742	583	2,547	642	769	870	674	2,954	3,255	3,432
Y/Y Growth	14%	16%	12%	16%	14%	14%	15%	16%	17%	16%	16%	10%	5%
Q/Q Growth		9%	19%	12%	-21%		10%	20%	13%	-23%			
% of total revenue	55%	55%	55%	53%	51%	53%	53%	54%	52%	49%	52%	51%	49%
International (ex TRIP)	1,804	454	541	660	569	2,224	559	660	815	692	2,726	3,174	3,640
Y/Y Growth	21%	36%	20%	18%	23%	23%	23%	22%	24%	22%	23%	16%	15%
Q/Q Growth		-2%	19%	22%	-14%		-2%	18%	23%	-15%			
% of total revenue	45%	45%	45%	47%	49%	47%	47%	46%	48%	51%	48%	49%	51%
Total Net Revenue (Cont Ops)	4,031	1,012	1,205	1,402	1,152	4,771	1,200	1,429	1,685	1,366	5,681	6,429	7,072
Y/Y Growth	16.9%	23.9%	15.9%	16.9%	18.2%	18.4%	18.6%	18.6%	20.2%	18.6%	19.1%	13.2%	10.0%
NET REVENUE AS % OF CURRENT PERIOD BOOKINGS													
Domestic	11.2%	10.2%	11.4%	12.7%	11.7%	11.5%	8.6%	9.7%	11.0%	10.0%	9.8%	10.0%	9.9%
International	12.9%	10.6%	12.7%	14.3%	13.8%	12.9%	10.8%	12.8%	14.5%	13.9%	13.0%	12.8%	12.6%
Total	11.9%	10.3%	11.9%	13.4%	12.7%	12.1%	9.5%	10.9%	12.5%	11.7%	11.1%	11.2%	11.1%

	2012A	3/13A	6/13A	9/13A	12/13A	2013A	3/14A	6/14E	9/14E	12/14E	2014E	2015E	2016E
GROSS BOOKINGS BY SEGMENT													
Leisure	30,376	8,664	8,933	9,312	8,000	34,909	11,315	11,696	12,180	10,426	45,617	50,463	54,655
Y/Y Growth	14.3%	13.0%	11.4%	14.7%	21.7%	14.9%	30.6%	30.9%	30.8%	30.3%	30.7%	10.6%	8.3%
Q/Q Growth		31.9%	3.1%	4.2%	-14.1%		41.4%	3.4%	4.1%	-14.4%			
% of total gross bookings	89%	89%	88%	89%	88%	89%	90%	89%	90%	89%	89%	88%	86%
Egencia	3,584	1,117	1,188	1,125	1,104	4,534	1,310	1,409	1,353	1,289	5,361	6,881	8,897
Y/Y Growth	37.1%	47.9%	26.7%	20.2%	15.6%	26.5%	17.3%	18.6%	20.3%	16.7%	18.2%	28.4%	29.3%
Q/Q Growth		17.0%	6.4%	-5.3%	-1.9%		18.7%	7.5%	-3.9%	-4.8%			
% of total gross bookings	11%	11%	12%	11%	12%	11%	10%	11%	10%	11%	11%	12%	14%
Total Gross Bookings	33,960	9,781	10,121	10,437	9,104	39,443	12,625	13,105	13,533	11,715	50,978	57,345	63,552
GROSS BOOKINGS BY AGENCY/MERCHANT													
Agency	18,359	5,270	5,466	5,701	5,248	21,685	7,326	7,614	7,917	6,853	29,710	33,833	37,178
Y/Y Growth	12.3%	14.0%	12.3%	21.1%	26.0%	18.1%	39.0%	39.3%	38.9%	30.6%	37.0%	13.9%	9.9%
Q/Q Growth		26.5%	3.7%	4.3%	-7.9%		39.6%	3.9%	4.0%	-13.4%			
% of total gross bookings	54%	54%	54%	55%	58%	55%	58%	58%	59%	59%	58%	59%	59%
Merchant	15,600	4,511	4,655	4,736	3,856	17,758	5,299	5,491	5,616	4,862	21,268	23,511	26,374
Y/Y Growth	21.6%	18.7%	13.8%	8.9%	14.7%	13.8%	17.5%	18.0%	18.6%	26.1%	19.8%	10.5%	12.2%
Q/Q Growth		34.2%	3.2%	1.7%	-18.6%		37.4%	3.6%	2.3%	-13.4%			
% of total gross bookings	46%	46%	46%	45%	42%	45%	42%	42%	42%	42%	42%	41%	42%
Total Gross Bookings	33,959	9,781	10,121	10,437	9,104	39,443	12,625	13,105	13,533	11,715	50,978	57,345	63,552

Source: J.P. Morgan estimates Company data.

Figure 29: KING Income Statement

	2012A	1Q13A	2Q13A	3Q13A	4Q13A	2013A	1Q14A	2Q14E	3Q14E	4Q14E	2014E	2015E	2016E
Gross Bookings	181,569	218,596	480,919	648,180	632,126	1,979,821	641,089	644,614	658,638	678,065	2,622,316	3,070,012	3,432,076
Sales tax	11,891	14,735	23,338	30,085	31,530	99,688	34,714	32,231	32,932	33,903	133,780	153,501	171,604
Other Income	(3,182)	(3,497)	(4,825)	(4,153)	(2,442)	(14,917)	(2,499)	3,880	(6,327)	(2,466)	(7,412)	(7,567)	(7,770)
Movement in player wallet and other adjustments	5,106	1,339	1,208	1,337	1,599	5,483	1,300	1,500	1,500	1,500	5,800	6,000	6,000
Change in deferred revenue	3,342	101	5,726	(285)	(276)	5,266	865	3,000	18,000	3,000	24,865	6,172	5,202
Revenue	164,412	205,918	455,472	621,196	601,715	1,884,301	606,709	604,003	612,533	642,127	2,465,373	2,911,907	3,257,040
Revenue as a % of Gross Bookings	91%	94%	95%	96%	95%	95%	95%	94%	93%	95%	94%	95%	95%
Cost of Revenue	53,893	62,891	140,774	188,441	187,669	579,775	191,930	196,607	200,885	207,488	796,910	951,704	1,063,944
Gross Profit	110,519	143,027	314,698	432,755	414,046	1,304,526	414,779	407,396	411,649	434,639	1,668,463	1,960,203	2,193,097
Operating Expenses													
Research and Development	22,024	8,912	10,207	13,002	15,888	48,009	21,005	30,941	37,542	38,650	128,139	184,201	229,949
Sales and Marketing	53,155	47,176	112,478	109,868	103,759	373,281	123,514	117,964	117,896	126,120	485,495	561,812	593,749
General and Administrative	13,142	6,063	15,197	21,879	28,025	71,164	30,765	25,785	27,004	30,513	114,067	122,800	137,283
Stock-based Compensation	11,133	15,298	21,654	(485)	59,599	96,066	78,016	33,198	33,591	33,903	178,707	153,501	171,604
Total Operating Expenses	99,454	77,449	159,536	144,264	207,271	588,520	253,300	207,888	216,033	229,186	906,407	1,022,314	1,132,585
Operating income	11,065	65,578	155,162	288,491	206,775	716,006	161,479	199,508	195,615	205,454	762,056	937,889	1,060,511
PF Operating income	22,198	80,977	182,542	287,721	266,098	817,338	240,360	235,706	247,206	242,357	965,628	1,097,561	1,237,317
Interest (expense) income, net	52	3	7	(1,795)	54	(1,731)	-	1,028	1,316	1,551	3,895	9,285	14,860
Other (expense) income, net							(268)						
Pre-tax income	11,117	65,581	155,169	286,696	206,829	714,275	161,479	200,536	196,931	207,005	765,951	947,173	1,075,372
Effective Tax Rate	29%	20%	19%	20%	23%	21%	21%	20%	20%	20%	20%	20%	20%
Income taxes	3,272	12,930	29,254	56,914	47,583	146,681	34,012	40,107	39,386	41,401	154,906	189,435	215,074
GAAP Net Income	7,845	52,651	125,915	229,782	159,246	567,594	127,467	160,429	157,545	165,604	611,045	757,739	860,298
GAAP Basic EPS	\$0.03	\$0.17	\$0.41	\$0.75	\$0.52	\$1.86	\$0.43	\$0.51	\$0.49	\$0.51	\$1.94	\$2.27	\$2.50
GAAP Diluted EPS	\$0.02	\$0.16	\$0.39	\$0.71	\$0.50	\$1.75	\$0.41	\$0.48	\$0.47	\$0.48	\$1.85	\$2.13	\$2.35
Basic Shares Out	298,773	303,613	305,551	307,306	305,403	305,468	298,674	317,349	320,523	323,728	315,069	333,440	343,443
Diluted Shares Out (GAAP)	321,210	325,169	325,729	325,165	319,085	323,788	308,842	331,894	338,532	345,302	331,142	355,661	366,331
PF Net Income Calculation													
GAAP Net Income	7,845	52,651	125,915	229,782	159,246	567,594	127,467	160,429	157,545	165,604	611,045	757,739	860,298
Stock-based and other equity-related compensation	11,133	15,298	21,654	(485)	59,599	96,066	78,016	33,198	33,591	33,903	178,707	153,501	171,604
Change in Deferred revenue	3,342	101	5,726	(285)	(276)	5,266	865	3,000	18,000	3,000	24,865	6,172	5,202
Tax Effected SBC, Deferred Revenue	10,215	12,363	22,218	(617)	45,675	80,523	62,266	28,958	41,272	29,523	162,402	127,738	141,445
PF Net Income (full taxed)	18,060	65,014	148,133	229,165	204,921	648,117	189,733	189,387	198,817	195,127	773,447	885,477	1,001,742
PF EPS (full taxed)	\$0.06	\$0.20	\$0.45	\$0.70	\$0.64	\$2.00	\$0.61	\$0.57	\$0.59	\$0.57	\$2.34	\$2.49	\$2.73
EBITDA Calculation													
Other (expense) income, net	112	(589)	267	675	688	1,041	5,466	-	-	-	5,466	-	-
Interest Expense net	(52)	(3)	(7)	1,795	(54)	1,731	-	(1,028)	(1,316)	(1,551)	(3,895)	(9,285)	(14,860)
Stock-based and other equity-related compensation	11,133	15,298	21,654	(485)	59,599	96,066	78,016	33,198	33,591	33,903	178,707	153,501	171,604
Change in Deferred revenue	3,342	101	5,726	(285)	(276)	5,266	865	3,000	18,000	3,000	24,865	6,172	5,202
Depreciation & Amortization	2,826	1,034	1,345	1,798	2,186	6,363	2,765	4,000	5,000	7,000	18,765	31,901	37,324
Adjusted EBITDA	28,478	81,422	184,154	290,194	268,972	824,742	248,591	239,706	252,206	249,357	989,859	1,129,462	1,274,641
Cost of revenue	820	1,123	1,647	275	1,538	4,583	4,066	800	800	(1,666)	4,000		
Research & Development	6,576	13,271	18,554	(1,963)	32,631	62,493	25,752	16,600	16,600	24,048	83,000		
Sales and Marketing	2,033	453	365	296	2,503	3,617	5,585	2,600	2,600	2,215	13,000		
General and administrative	1,704	451	1,088	907	22,927	25,373	42,613	13,198	13,591	9,306	78,707		
Total Share-based compensation	11,133	15,298	21,654	(485)	59,599	96,066	78,016	33,198	33,591	33,903	178,707	153,501	171,604
Y/Y Growth													
Bookings	134%	650%	1180%	1392%	785%	990%	193%	34%	2%	7%	32%	17%	12%
Revenue	157%	852%	1328%	1405%	764%	1046%	195%	33%	-1%	7%	31%	18%	12%
Cost of Revenue	108%	568%	1191%	1352%	811%	976%	205%	40%	7%	11%	37%	19%	12%
Gross Profit	191%	1071%	1399%	1429%	745%	1080%	190%	29%	-5%	5%	28%	17%	12%
Research and Development	90%	141%	138%	161%	76%	118%	136%	203%	189%	143%	167%	44%	25%
Sales and Marketing	190%	661%	783%	806%	369%	602%	162%	5%	7%	22%	30%	16%	6%
General and Administrative	83%	200%	675%	431%	456%	442%	407%	70%	23%	9%	60%	8%	12%
Stock-based Compensation	587%	1921%	514%	-129%	1048%	763%	410%	53%	-7026%	-43%	86%	-14%	12%
Total Operating Expenses	157%	512%	609%	530%	401%	492%	227%	30%	50%	11%	54%	13%	11%
Operating income	-1581%	-14544%	-10369%	5234%	2613%	6371%	146%	29%	-32%	-1%	6%	23%	13%
PF Operating income	2440%	26625%	8968%	3969%	1977%	3582%	197%	29%	-14%	-9%	18%	14%	13%
GAAP Net Income	-697%	-7579%	-6459%	5067%	2518%	7135%	142%	27%	-31%	4%	8%	24%	14%
Adjusted EBITDA	534%	1307%	4838%	3752%	2253%	2796%	205%	30%	-13%	-7%	20%	14%	13%
Margins (as % of Revenue)													
Cost of Revenue	32.8%	30.5%	30.9%	30.3%	31.2%	30.8%	31.6%	32.6%	32.8%	32.3%	32.3%	32.7%	32.7%
Gross Profit	67.2%	69.5%	69.1%	69.7%	68.8%	69.2%	68.4%	67.4%	67.2%	67.7%	67.7%	67.3%	67.3%
Research and Development	13.4%	4.3%	2.2%	2.1%	2.6%	2.5%	3.5%	5.1%	6.1%	6.0%	5.2%	6.3%	7.1%
Sales and Marketing	32.3%	22.9%	24.7%	17.7%	17.2%	19.8%	20.4%	19.5%	19.2%	19.6%	19.7%	19.3%	18.2%
General and Administrative	8.0%	2.9%	3.3%	3.5%	4.7%	3.8%	5.1%	4.3%	4.4%	4.8%	4.6%	4.2%	4.2%
Stock-based Compensation	6.8%	7.4%	4.8%	-0.1%	9.9%	5.1%	12.9%	5.5%	5.5%	5.3%	7.2%	5.3%	5.3%
Operating income	6.7%	31.8%	34.1%	46.4%	34.4%	38.0%	26.6%	33.0%	31.9%	32.0%	30.9%	32.2%	32.6%
PF Operating income	13.5%	39.3%	40.1%	46.3%	44.2%	43.4%	39.6%	39.0%	40.4%	37.7%	39.2%	37.7%	38.0%
Adjusted EBITDA	17.3%	39.5%	40.4%	46.7%	44.7%	43.8%	41.0%	39.7%	41.2%	38.8%	40.2%	38.8%	39.1%
Margins (as % of Bookings)													
Cost of Revenue	29.7%	28.8%	29.3%	29.1%	29.7%	29.3%	29.9%	30.5%	30.5%	30.6%	30.4%	31.0%	31.0%
Gross Profit	60.9%	65.4%	65.4%	66.8%	65.5%	65.9%	64.7%	63.2%	62.5%	64.1%	63.6%	63.9%	63.9%
Research and Development	12.1%	4.1%	2.1%	2.0%	2.5%	2.4%	3.3%	4.8%	5.7%	5.7%	4.9%	6.0%	6.7%
Sales and Marketing	29.3%	21.6%	23.4%	17.0%	16.4%	18.9%	19.3%	18.3%	17.9%	18.6%	18.5%	18.3%	17.3%
General and Administrative	7.2%	2.8%	3.2%	3.4%	4.4%	3.6%	4.8%	4.0%	4.1%	4.5%	4.3%	4.0%	4.0%
Stock-based Compensation	6.1%	7.0%	4.5%	-0.1%	9.4%	4.9%	12.2%	5.2%	5.1%	5.0%	6.8%	5.0%	5.0%
Operating income	6.1%	30.0%	32.3%	44.5%	32.7%	36.2%	25.2%	31.0%	29.7%	30.3%	12.0%	10.9%	10.0%
PF Operating income	12.2%	37.0%	38.0%	44.4%	42.1%	41.3%	37.5%	36.6%	37.5%	35.7%	12.6%	11.6%	10.7%
Adjusted EBITDA	15.7%	37.2%	38.3%	44.8%	42.6%	41.7%	38.8%	37.2%	38.3%	36.8%	37.7%	36.8%	37.1%

Source: J.P. Morgan estimates Company data.

Figure 30: KING Drivers

	2012A	3/13A	6/13A	9/13A	12/13A	2013A	1Q14A	2Q14E	3Q14E	4Q14E	2014E	2015E	2016E
Gross Bookings by Channel	181	219	481	648	632	1,980	641	645	659	678	2,622	3,070	3,432
Y/Y growth	--	655%	1166%	1407%	790%	994%	193%	34%	2%	7%	32%	17%	12%
Q/Q growth	--	208%	120%	35%	-2%	--	1%	1%	2%	3%	--	--	--
Mobile	18	126	328	475	460	1,389	480	503	533	556	2,072	2,49%	--
Y/Y growth	--	--	--	23650%	2775%	7617%	281%	53%	12%	21%	49%	--	--
Q/Q growth	--	688%	160%	45%	-3%	70%	4%	5%	6%	4%	--	--	--
% of Gross Bookings	10%	58%	68%	73%	73%	70%	75%	78%	81%	82%	--	--	--
Web	146	88	147	173	172	580	161	142	125	122	550	550	550
Y/Y growth	--	238%	332%	368%	251%	297%	83%	-4%	-28%	-29%	-5%	--	--
Q/Q growth	--	80%	67%	18%	-1%	--	-6%	-12%	-12%	-2%	--	--	--
Others	17	5	6	0	0	11	0	--	--	--	--	--	--
Y/Y growth	--	67%	50%	-100%	-100%	-35%	-100%	--	--	--	--	--	--
Q/Q growth	--	-17%	20%	-100%	--	--	--	--	--	--	--	--	--
% of Gross Bookings	9%	2%	1%	0%	0%	1%	--	--	--	--	--	--	--
	2012A	3/13A	6/13A	9/13A	12/13A	2013A	1Q14A	2Q14E	3Q14E	4Q14E	2014E	2015E	2016E
Key Operating Metrics													
Quarterly Average MAUs	50	138	265	361	408	293	481	497	523	531	508	633	752
Y/Y growth	--	360%	441%	594%	509%	492%	249%	88%	45%	30%	73%	25%	19%
Q/Q growth	--	106%	92%	36%	13%	--	18%	3%	5%	1%	--	--	--
Quarterly Average MUUs	31	101	194	269	304	217	352	354	357	375	360	403	435
Y/Y growth	--	405%	593%	768%	607%	611%	249%	82%	33%	23%	66%	12%	8%
Q/Q growth	--	135%	92%	39%	13%	--	16%	1%	1%	5%	--	--	--
Cross Sell (MAUs/MUUs)	1.6x	1.4x	1.4x	1.3x	1.3x	1.4x	1.4x	1.4x	1.5x	1.4x	1.4x	1.6x	1.7x
Quarterly Average MUPs	0.8	4.1	10.3	13.0	12.2	9.9	11.9	11.7	11.8	12.0	11.8	13.3	14.4
Y/Y growth	--	925%	1371%	1344%	838%	1100%	189%	13%	-9%	-2%	20%	12%	8%
Q/Q growth	--	215%	151%	26%	-6%	--	-3%	-2%	1%	2%	--	--	--
Conversion Rate (MUPs/MUUs)	2.7%	4.1%	5.3%	4.8%	4.0%	4.6%	3.4%	3.3%	3.3%	3.2%	3.3%	3.3%	3.3%
Quarterly Average DAUs	11	36	76	109	124	86	143	147	156	160	151	188	221
Y/Y growth	--	414%	591%	808%	727%	667%	297%	93%	43%	29%	75%	24%	18%
Q/Q growth	--	140%	111%	43%	14%	--	15%	3%	6%	2%	--	--	--
Engagement (DAUs/MAUs)	22.7%	26.1%	28.7%	30.2%	30.4%	29.4%	29.7%	29.5%	29.8%	30.1%	29.8%	29.6%	29.4%
GABPU (actuals)	\$0.044	\$0.067	\$0.069	\$0.064	\$0.056	\$0.063	\$0.050	\$0.048	\$0.046	\$0.046	\$0.047	\$0.045	\$0.042
Y/Y growth	--	52%	92%	60%	8%	43%	-26%	-30%	-28%	-18%	-25%	-6%	-6%
Q/Q growth	--	29%	3%	-7%	-13%	--	-11%	-3%	-5%	1%	--	--	--
MGABPPU (actuals)	\$18.28	\$15.92	\$15.51	\$16.60	\$17.32	\$16.67	\$18.02	\$18.41	\$18.62	\$18.83	\$18.47	\$19.25	\$19.93
Y/Y growth	--	-33%	-17%	-2%	-2%	-9%	13%	19%	12%	9%	11%	4%	4%
Q/Q growth	--	-10%	-3%	7%	4%	--	4%	2%	1%	1%	--	--	--
	2012A	3/13A	6/13A	9/13A	12/13A	2013A	1Q14A	2Q14E	3Q14E	4Q14E	2014E	2015E	2016E
Gross Bookings by Title	181	219	481	648	632	1,980	641	645	659	678	2,622	3,070	3,432
Quarterly Average DAUs	11	36	76	109	124	86	143	147	156	160	151	188	221
GABPU	\$0.044	\$0.067	\$0.069	\$0.064	\$0.056	\$0.063	\$0.050	\$0.048	\$0.046	\$0.046	\$0.047	\$0.045	\$0.042
Candy Crush Bookings	59	167	429	536	492	1,624	429	340	258	184	1,212	657	609
Y/Y growth	--	5149%	5610%	3782%	1326%	2652%	157%	-21%	-52%	-63%	-25%	-46%	-7%
Q/Q growth	--	385%	156%	25%	-8%	--	-13%	-21%	-24%	-29%	--	--	--
% of Total Bookings	33%	76%	89%	83%	78%	82%	67%	53%	39%	27%	46%	21%	18%
Average DAUs	3	22	59	93	93	66	96	75	56	40	67	36	35
% of Quarterly Total DAUs	29%	60%	77%	85%	75%	77%	67%	51%	36%	25%	44%	19%	16%
GABPU	\$0.050	\$0.086	\$0.081	\$0.063	\$0.058	\$0.067	\$0.050	\$0.050	\$0.050	\$0.050	\$0.050	\$0.051	\$0.047
Farm Heroes Bookings	2	2	10	40	46	98	108	167	215	257	747	656	518
Y/Y growth	--	409%	1973%	7167%	6513%	4642%	6573%	1508%	437%	464%	665%	-12%	-21%
Q/Q growth	--	135%	540%	287%	14%	--	137%	54%	29%	20%	--	--	--
% of Total Bookings	1%	1%	2%	6%	7%	5%	17%	26%	33%	38%	29%	21%	15%
Average DAUs	1	2	4	5	10	5	20	37	47	56	40	38	35
% of Quarterly Total DAUs	5%	5%	5%	5%	8%	6%	14%	25%	30%	35%	26%	20%	16%
GABPU	\$0.010	\$0.010	\$0.030	\$0.080	\$0.050	\$0.051	\$0.060	\$0.050	\$0.050	\$0.050	\$0.051	\$0.048	\$0.040
Bubble Witch Bookings	63	13	10	12	18	54	10	8	6	29	54	171	162
Y/Y growth	--	45%	-26%	-55%	32%	-15%	-21%	-23%	-46%	61%	1%	216%	-5%
Q/Q growth	--	-6%	-20%	16%	52%	--	-44%	-22%	-19%	355%	--	--	--
% of Total Bookings	35%	6%	2%	2%	3%	3%	2%	1%	1%	4%	2%	6%	5%
Average DAUs	4	3	4	4	5	4	3	3	2	6	4	9	9
% of Quarterly Total DAUs	38%	8%	5%	4%	4%	5%	2%	2%	2%	4%	2%	5%	4%
GABPU	\$0.040	\$0.050	\$0.030	\$0.030	\$0.040	\$0.037	\$0.040	\$0.030	\$0.030	\$0.050	\$0.041	\$0.050	\$0.050
Pet Rescue Bookings	11	4	21	40	63	127	68	60	57	51	236	370	324
Y/Y growth	--	510%	1973%	3533%	658%	1057%	1638%	189%	43%	-18%	85%	56%	-12%
Q/Q growth	--	-53%	434%	93%	56%	--	8%	-11%	-4%	-10%	--	--	--
% of Total Bookings	6%	2%	4%	6%	10%	6%	11%	9%	9%	8%	9%	12%	9%
Average DAUs	1	4	5	4	14	7	15	13	12	11	13	23	22
% of Quarterly Total DAUs	12%	12%	6%	4%	11%	8%	11%	9%	8%	7%	9%	12%	10%
GABPU	\$0.023	\$0.010	\$0.050	\$0.100	\$0.050	\$0.052	\$0.050	\$0.050	\$0.050	\$0.050	\$0.050	\$0.045	\$0.040
Other Games Bookings	46	33	11	20	13	78	26	70	121	156	373	1,217	1,819
Y/Y growth	--	109%	-28%	1810%	-2%	70%	-23%	543%	505%	1066%	380%	227%	49%
Q/Q growth	--	143%	-68%	85%	-33%	--	91%	172%	74%	29%	--	--	--
% of Total Bookings	25%	15%	2%	3%	2%	4%	4%	11%	18%	23%	14%	40%	53%
Average DAUs	2	5	5	2	2	4	9	19	38	46	28	83	119
% of Quarterly Total DAUs	16%	15%	7%	2%	2%	4%	6%	13%	25%	29%	19%	44%	54%
GABPU	\$0.067	\$0.069	\$0.022	\$0.100	\$0.059	\$0.055	\$0.031	\$0.040	\$0.034	\$0.037	\$0.036	\$0.040	\$0.042

Source: J.P. Morgan estimates Company data.

Figure 31: Pandora Income Statement

	2012A	3/13A	6/13A	9/13A	12/13A	2013A	3/14A	6/14E	9/14E	12/14E	2014E	2015E	2016E
Advertising Revenue	360.7	96.7	127.6	135.0	162.0	521.2	140.6	181.1	202.8	226.9	751.4	1,061.5	1,425.2
Subscription Services and Other Revenue	53.7	20.3	30.9	36.3	38.8	126.3	39.5	38.8	40.8	42.0	161.1	180.6	195.0
Total Revenue (Non-GAAP)	414.4	117.0	158.4	171.3	200.8	647.5	180.1	219.9	243.6	268.9	912.5	1,242.1	1,620.2
GAAP Total Revenue	410.0	115.1	153.1	169.3	200.4	637.9	194.3	219.9	243.6	268.9	926.7	1,242.1	1,620.2
Cost of Revenue - Other	29.7	9.4	10.4	11.6	12.1	43.5	14.1	13.5	15.1	14.4	57.1	68.8	81.1
Gross Profit	384.7	107.7	148.1	159.7	188.6	604.1	166.0	206.4	228.5	254.5	855.4	1,173.3	1,539.1
Operating expenses													
Product development	13.1	5.2	5.5	6.5	6.9	24.1	8.4	7.8	9.3	8.9	34.3	50.9	69.7
Sales and marketing	89.7	33.6	39.3	41.3	46.5	160.8	53.6	55.1	60.0	64.3	232.9	319.2	419.6
General and administrative	39.7	13.1	14.7	18.1	18.6	64.5	21.6	19.9	22.7	25.0	89.2	115.5	145.8
Content Acquisition Cost	248.3	85.8	79.8	83.5	93.7	342.9	108.3	114.8	117.4	119.5	460.0	586.9	706.1
Stock based compensation	24.7	6.5	10.1	12.2	13.4	42.3	17.4	10.8	13.0	14.4	55.6	61.2	67.3
Total Costs	445.2	153.7	159.9	173.2	191.2	678.0	223.3	221.9	237.5	246.4	929.1	1,202.5	1,489.6
Operating Income	(35.2)	(38.5)	(6.8)	(3.9)	9.1	(40.1)	(29.0)	(2.0)	6.1	22.5	(2.4)	39.6	130.6
PF Operating Income	(6.1)	(30.1)	8.7	10.2	23.0	11.8	(25.8)	8.8	19.1	36.9	39.0	100.8	197.9
Other income (expense):													
Interest income	0.1	0.0	0.0	0.0	0.1	0.1	0.2	0.0	0.0	0.0	0.3	0.0	0.0
Interest expense	(0.5)	(0.1)	(0.1)	(0.2)	(0.1)	(0.6)	(0.1)	-	-	-	(0.1)	-	-
Other income (expense), net	(0.0)	0.0	0.0	(0.0)	(0.0)	(0.0)	0.0	(0.1)	(0.1)	(0.1)	(0.3)	(0.6)	(0.6)
Total non-operating expenses, net	(0.4)	(0.1)	(0.1)	(0.2)	(0.1)	(0.5)	0.1	(0.1)	(0.1)	(0.1)	(0.2)	(0.6)	(0.6)
Income (loss) before income taxes	(35.6)	(38.7)	(6.9)	(4.1)	9.0	(40.6)	(28.9)	(2.1)	6.0	22.4	(2.6)	39.0	130.0
Pro forma Income (loss) before income taxes	(6.6)	(30.2)	8.6	10.0	22.9	11.3	(25.7)	8.7	19.0	36.8	38.8	100.2	197.3
Provision for income taxes	0.0	(0.0)	(0.0)	(0.0)	(0.1)	(0.1)	(0.0)	-	-	-	(0.0)	(6.9)	(45.2)
Tax Rate	0%	0%	0.0	0.0	-1%	0%	0%	0%	0%	0%	1%	18%	35%
Net Income (Loss) - GAAP	(35.6)	(38.7)	(6.9)	(4.1)	9.0	(40.7)	(28.9)	(2.1)	6.0	22.4	(2.6)	32.1	84.8
Net Income (loss) attributable to common stock	(35.6)	(38.7)	(6.9)	(4.1)	9.0	(40.7)	(28.9)	(2.1)	6.0	22.4	(2.6)	32.1	84.8
Basic income (loss) per share	(\$0.21)	(\$0.22)	(\$0.04)	(\$0.02)	\$0.05	(\$0.23)	(\$0.14)	(\$0.01)	\$0.03	\$0.11	(\$0.01)	\$0.16	\$0.40
Diluted income (loss) per share	(\$0.21)	(\$0.22)	(\$0.04)	(\$0.02)	\$0.05	(\$0.23)	(\$0.14)	(\$0.01)	\$0.03	\$0.09	(\$0.01)	\$0.14	\$0.36
Basic shares outstanding	167.6	172.7	174.8	178.6	194.4	180.1	199.9	201.9	203.9	205.9	202.9	206.9	211.1
Diluted shares outstanding	167.6	172.7	174.8	178.6	218.5	186.2	199.9	226.0	234.6	243.5	226.0	230.5	235.1
Non recurring items:													
Change in preferred stock warrant	-	-	-	-	-	-	-	-	-	-	-	-	-
Stock based compensation	24.7	6.5	10.1	12.2	13.4	42.3	17.4	10.8	13.0	14.4	55.6	61.2	67.3
Amortization of intangibles	-	-	-	0.2	0.2	0.4	0.2	-	-	-	0.2	-	-
GAAP/Non-GAAP adj	4.4	1.9	5.3	2.0	0.4	9.6	(14.2)	-	-	-	(14.2)	-	-
PF Net Income (loss)	(6.5)	(30.2)	8.6	10.2	23.0	11.5	(25.5)	8.7	19.0	36.8	39.0	93.3	152.1
PF basic income (loss) per share	(\$0.04)	(\$0.18)	\$0.05	\$0.06	\$0.12	\$0.06	(\$0.13)	\$0.04	\$0.09	\$0.18	\$0.19	\$0.45	\$0.72
PF diluted income (loss) per share*	(\$0.04)	(\$0.18)	\$0.04	\$0.05	\$0.11	\$0.06	(\$0.13)	\$0.04	\$0.08	\$0.15	\$0.17	\$0.40	\$0.65
PF Basic shares outstanding	167.6	172.7	174.8	178.6	194.4	180.1	199.9	201.9	203.9	205.9	202.9	206.9	211.1
PF Diluted shares outstanding	167.6	172.7	195.5	201.2	218.5	197.0	199.9	226.0	234.6	243.5	226.0	230.5	235.1
EBITDA Reconciliation:													
PF Operating Income	(6.1)	(30.1)	8.7	10.2	23.0	11.8	(25.8)	8.8	19.1	36.9	39.0	100.8	197.9
Depreciation and amortization	6.9	2.0	2.5	3.2	3.1	10.8	3.3	3.0	3.0	3.0	12.3	10.5	12.0
Adjusted EBITDA	0.8	(28.1)	11.2	13.4	26.0	22.6	(22.4)	11.8	22.1	39.9	51.4	111.3	209.9
	2012A	3/13A	6/13A	9/13A	12/13A	2013A	3/14A	6/14E	9/14E	12/14E	2014E	2015E	2016E
Y/Y Growth													
Advertising Revenue	54.7%	56.7%	46.5%	40.9%	39.5%	44.5%	45.4%	41.9%	50.3%	40.1%	44.2%	41.3%	34.3%
Subscription Services and Other Revenue	58.9%	91.4%	150.8%	159.4%	131.8%	135.4%	94.3%	25.8%	12.4%	8.2%	27.6%	12.1%	8.0%
Net sales	55.2%	61.8%	59.4%	56.0%	51.1%	56.3%	53.9%	38.8%	42.2%	33.9%	40.9%	36.1%	30.4%
Cost of Revenue - Other	36.2%	43.4%	50.2%	49.5%	43.0%	46.5%	50.6%	30.0%	30.6%	18.4%	31.3%	20.5%	17.9%
Product development	13.2%	63.3%	75.1%	99.8%	95.0%	83.7%	60.3%	41.9%	42.7%	28.8%	42.3%	48.4%	36.8%
Sales and marketing	56.2%	71.7%	89.1%	90.6%	68.2%	79.2%	59.3%	40.0%	45.4%	38.2%	44.9%	37.0%	31.5%
General and administrative	24.0%	41.4%	61.1%	87.2%	60.1%	62.6%	64.9%	35.4%	24.9%	34.7%	38.3%	29.5%	26.2%
Content acquisition cost	77.7%	58.2%	35.3%	32.0%	30.6%	38.1%	26.2%	43.8%	40.5%	27.5%	34.1%	27.6%	20.3%
Total expenses	64.6%	57.4%	52.1%	53.6%	47.4%	52.3%	45.3%	38.8%	37.1%	28.8%	37.0%	29.4%	23.9%
Operating income	858.6%	47.1%	-0.7%	-0.9%	420.5%	13.9%	-24.8%	-69.9%	-256.2%	146.7%	-94.0%	-1735.5%	230.0%
PF Operating income	-237.4%	46.8%	2239.0%	145.3%	133.6%	-292.4%	-14.3%	1.3%	87.2%	60.5%	230.8%	158.2%	96.4%
GAAP Net income	294.4%	47.2%	-0.2%	1.0%	451.4%	14.3%	-25.2%	-69.2%	-246.8%	149.8%	-93.6%	-1325.9%	163.7%
PF Net income	-281.7%	47.0%	3084.8%	152.0%	136.9%	-276.5%	-15.5%	1.8%	86.4%	59.9%	237.8%	139.3%	62.9%
PF diluted income (loss) per share*	-302.6%	39.9%	2992.0%	138.3%	106.0%	-250.1%	-27.0%	-11.9%	59.9%	43.4%	194.4%	134.6%	59.7%
EBITDA	-90.9%	47.9%	432.2%	126.0%	122.1%	NM	-20.0%	5.5%	65.1%	53.1%	127.5%	116.6%	88.6%
Sequential Growth													
Advertising Revenue		-17%	32%	6%	20%		-13%	29%	12%	12%			
Subscription Services and Other Revenue		21%	52%	18%	7%		2%	-2%	5%	3%			
Net sales		-12%	35%	8%	17%		-10%	22%	11%	10%			
Product development		48%	5%	18%	6%		21%	-7%	19%	-4%			
Sales and marketing		22%	17%	5%	13%		15%	3%	9%	7%			
General and administrative		13%	12%	23%	2%		16%	-8%	14%	10%			
Content Acquisition Cost		20%	-7%	5%	12%		16%	6%	2%	2%			
% of Revenues													
Cost of Revenue - Other	7.2%	8.0%	6.5%	6.8%	6.0%	6.7%	7.8%	6.1%	6.2%	5.3%	6.3%	5.5%	5.0%
Product development	3.2%	4.5%	3.5%	3.8%	3.4%	3.7%	4.6%	3.6%	3.8%	3.3%	3.8%	4.1%	4.3%
Sales and marketing	21.7%	28.7%	24.8%	24.1%	23.2%	24.8%	29.7%	25.1%	24.7%	23.9%	25.5%	25.7%	25.9%
General and administrative	9.6%	11.2%	9.3%	10.6%	9.2%	10.0%	12.0%	9.1%	9.3%	9.3%	9.8%	9.3%	9.0%
Content acquisition cost	59.9%	73.3%	50.4%	48.8%	46.7%	53.0%	60.1%	52.2%	48.2%	44.4%	50.4%	47.3%	43.6%
Total operating expenses	107.4%	131.3%	100.9%	101.1%	95.2%	104.7%	124.0%	100.9%	97.5%	91.6%	101.8%	96.8%	91.9%
Margins													
Gross margin	92.8%	92.0%	93.5%	93.2%	94.0%	93.3%	92.2%	93.9%	93.8%	94.7%	93.7%	94.5%	95.0%
Operating margin	-8.5%	-32.9%	-4.3%	-2.3%	4.5%	-6.2%	-16.1%	-0.9%	2.5%	8.4%	-0.3%	3.2%	8.1%
PF Operating margin	-1.5%	-25.7%	5.5%	6.0%	11.4%	1.8%	-14.3%	4.0%	7.8%	13.7%	4.3%	8.1%	12.2%
EBITDA margin	0.2%	-24.0%	7.1%	7.8%	13.0%	3.5%	-12.5%	5.4%	9.1%	14.8%	5.6%	9.0%	13.0%

Source: J.P. Morgan estimates Company data.

Figure 32: Pandora Drivers

	2012A	3/13A	6/13A	9/13A	12/13A	2013A	3/14A	6/14E	9/14E	12/14E	2014E	2015E	2016E
Registered Users													
Registered Users (000)	184,000	200,000	206,000	214,000	220,800	220,800	251,000	232,368	238,824	242,659	242,659	259,888	278,080
Y/Y growth	44%	43%	34%	27%	20%	20%	26%	13%	12%	10%	10%	7%	7%
Q/Q growth		9%	3%	4%			14%	-7%	3%	2%			
Revenue/Registered User	\$2.25	\$0.59	\$0.77	\$0.80	\$0.91	\$2.93	\$0.72	\$0.95	\$1.02	\$1.11	\$3.76	\$4.78	\$5.83
Y/Y growth	-6%	13%	19%	22%	26%	16%	23%	23%	27%	22%	28%	27%	22%
Q/Q growth		-19%	31%	4%	14%		-21%	32%	8%	9%			
Monthly Listener Hours per Registered User	6.1	7.1	6.3	6.2	6.9	6.3	6.4	7.1	7.1	7.2	6.9	7.5	7.9
Y/Y growth	-74%	2%	-10%	-9%	-3%	-77%	-10%	13%	15%	6%	10%	8%	6%
Q/Q growth		0%	-11%	-2%	11%		-7%	12%	0%	2%			
Active Users													
Active Users as % of Registered Users	36.5%	34.8%	34.5%	34.0%	34.5%	34.5%	30.0%	34.0%	34.0%	34.1%	34.1%	34.1%	34.4%
Active Users (000)	67,100	69,500	71,100	72,700	76,200	76,200	75,300	79,005	81,200	82,747	82,747	88,622	95,660
Y/Y growth	41%	36%	30%	25%	14%	14%	8%	11%	12%	9%	9%	7%	8%
Q/Q growth		4%	2%	2%	5%		-1%	5%	3%	2%			
Revenue/Active User	\$6.18	\$1.68	\$2.23	\$2.36	\$2.64	\$8.50	\$2.39	\$2.78	\$3.00	\$3.25	\$11.03	\$14.02	\$16.94
Y/Y growth	-9%	19%	22%	25%	33%	20%	42%	25%	27%	23%	24%	27%	21%
Q/Q growth		-15%	32%	6%	12%		-9%	16%	8%	8%			
Monthly Listener Hours per Active User	20	20	18	18	20	19	21	21	21	21	21	22	23
Y/Y growth	17%	7%	-7%	-7%	2%	-1%	4%	15%	15%	7%	10%	4%	5%
Q/Q growth		5%	-10%	0%	6%		7%	-1%	0%	1%			
Total Listener Hours (millions)	13,510	4,260	3,910	3,985	4,544	16,699	4,796	4,983	5,101	5,275	20,156	23,350	26,464
Y/Y growth	74.3%	45.4%	20.7%	16.2%	16.2%	23.6%	12.6%	27.5%	28.0%	16.1%	20.7%	15.8%	13.3%
Q/Q growth		9.0%	-8.2%	1.9%	14.0%		5.5%	3.9%	2.4%	3.4%			
ADVERTISING REVENUE													
Web Ad Revenue													
Web Ad-Supported Hours as % of Total Listener Hours	20%	17%	18%	16%	15%	16%	15%	13%	13%	13%	13%	11%	9%
Total Web Ad-Supported Listener hours (millions)	2,699	711	692	642	698	2,743	712	663	658	680	2,713	2,568	2,435
Y/Y growth	39%	6%	4%	0%	-4%	2%	0%	-4%	2%	-2%	-1%	-5%	-5%
Q/Q growth		-2%	-3%	-7%	9%		2%	-7%	-1%	3%			
Web eCPM	\$7.70	\$6.76	\$8.45	\$8.23	\$8.48	\$7.97	\$7.95	\$8.45	\$8.23	\$8.53	\$8.29	\$8.54	\$8.71
Y/Y growth	-10%	3%	3%	4%	4%	4%	18%	0%	0%	1%	4%	3%	2%
Total Hourly Web Impressions	6.9	6.6	6.9	7.1	7.3	7.0	6.6	6.9	7.1	7.3	7.0	7.1	7.2
Y/Y growth	-7%	0%	5%	-2%	0%	1%	0%	0%	0%	0%	0%	2%	2%
Total Web Revenue/1,000 hours	\$53.47	\$44.63	\$58.53	\$58.44	\$61.92	\$55.61	\$52.75	\$58.59	\$58.44	\$62.54	\$57.96	\$60.60	\$63.05
Y/Y growth	-17%	3%	8%	2%	4%	4%	18%	0%	0%	1%	4%	5%	4%
Total Web Revenue/hour	\$0.053	\$0.045	\$0.059	\$0.058	\$0.062	\$0.056	\$0.053	\$0.059	\$0.058	\$0.063	\$0.058	\$0.061	\$0.063
Y/Y growth	17%	3%	8%	2%	4%	4%	18%	0%	0%	1%	4%	5%	4%
Total Web Ad Revenue	\$144.3	\$31.7	\$40.5	\$37.5	\$43.2	\$153.0	\$37.5	\$38.8	\$38.5	\$42.6	\$157.4	\$155.6	\$153.8
Y/Y growth	16%	9%	13%	3%	1%	6%	18%	-4%	3%	-1%	3%	-1%	-1%
Q/Q growth		-26%	28%	-7%	15%		-13%	3%	-1%	11%			
Web Ad Revenue as % of Total Ad Rev	40%	33%	32%	28%	27%	29%	27%	21%	19%	19%	21%	15%	11%
Mobile/Auto/C.E. Ad Revenue													
Mobile/Auto/C.E. Ad Hours as % of Total Listener Hours	72%	75%	68%	69%	72%	71%	73%	74%	76%	77%	75%	80%	82%
Total Mobile/Auto/C.E. Ad-Supported Listener hours (millions)	9,770	3,182	2,673	2,759	3,282	11,896	3,500	3,663	3,867	4,035	15,065	18,680	21,701
Y/Y growth	93%	53%	16%	9%	14%	22%	10%	37%	40%	23%	27%	24%	16%
Q/Q growth		11%	-16%	3%	19%		7%	5%	6%	4%			
Mobile/Auto/C.E. eCPM	\$3.16	\$2.92	\$4.47	\$4.36	\$4.50	\$4.04	\$3.79	\$4.74	\$4.90	\$5.11	\$4.66	\$5.36	\$6.11
Y/Y growth	0%	22%	33%	34%	30%	28%	30%	6%	13%	14%	15%	15%	14%
Total Hourly Mobile/Auto/C.E. Impressions	7.0	7.0	7.3	8.1	8.0	7.6	7.8	8.2	8.7	8.9	8.4	9.1	9.6
Y/Y growth	4%	6%	10%	12%	10%	9%	11%	13%	7%	11%	11%	8%	6%
Total Mobile/Auto/C.E. Revenue / 1,000 hours	\$22.15	\$20.43	\$32.56	\$35.31	\$36.20	\$30.96	\$29.46	\$38.83	\$42.50	\$45.69	\$39.23	\$48.49	\$58.60
Y/Y growth	2%	30%	46%	50%	42%	40%	44%	19%	20%	26%	27%	24%	21%
Total Mobile/Auto/C.E. Revenue/hour	\$0.022	\$0.020	\$0.033	\$0.035	\$0.036	\$0.031	\$0.029	\$0.039	\$0.043	\$0.046	\$0.039	\$0.048	\$0.059
Y/Y growth	2%	30%	46%	50%	42%	40%	44%	19%	20%	26%	27%	24%	21%
Total Mobile/Auto/C.E. Ad Revenue	\$216.4	\$65.0	\$87.0	\$97.4	\$118.8	\$368.3	\$103.1	\$142.2	\$164.4	\$184.4	\$594.0	\$905.9	\$1,271.7
Y/Y growth	99%	99%	70%	64%	62%	70%	59%	63%	69%	55%	61%	52%	40%
Q/Q growth		-11%	34%	12%	22%		-13%	38%	16%	12%			
Mobile/Auto/C.E. Ad Rev as % of Total Ad Rev	60%	67%	68%	72%	73%	71%	73%	79%	81%	81%	79%	85%	89%
TOTAL ADVERTISING REVENUE	\$360.7	\$96.7	\$127.6	\$135.0	\$162.0	\$521.2	\$140.6	\$181.1	\$202.8	\$226.9	\$751.4	\$1,061.5	\$1,425.2
Y/Y growth	55%	57%	47%	41%	39%	45%	42%	50%	40%	40%	44%	41%	34%
Q/Q growth		-17%	32%	6%	20%		-13%	29%	12%	12%			
Total Advertising Hours (millions)	12,471	3,892	3,366	3,401	3,956	14,616	4,211	4,326	4,525	4,716	17,777	21,248	24,135
Y/Y growth	78%	42%	13%	8%	10%	17%	8%	28%	33%	19%	22%	20%	14%
Q/Q growth		8%	-14%	1%	16%		6%	3%	5%	4%			
Total Advertising Revenue/1,000 hours	\$28.92	\$24.85	\$37.89	\$39.68	\$40.95	\$35.66	\$33.40	\$41.86	\$44.82	\$48.12	\$42.27	\$49.96	\$59.05
Y/Y growth	-13%	11%	29%	31%	27%	23%	34%	10%	13%	18%	19%	18%	18%
Advertising Revenue/hour	\$0.029	\$0.025	\$0.038	\$0.040	\$0.041	\$0.036	\$0.033	\$0.042	\$0.045	\$0.048	\$0.042	\$0.050	\$0.059
SUBSCRIPTION & OTHER REVENUE													
Average Subscribers at Period End (millions)	1.44	2.51	3.03	3.10	3.25	2.97	3.38	3.42	3.59	3.61	3.50	3.92	4.24
Y/Y growth	53%	114%	120%	115%	83%	106%	35%	13%	16%	11%	18%	12%	8%
Average Subscription & Other Revs/Sub	\$37.23	\$8.11	\$10.20	\$11.69	\$11.95	\$42.51	\$11.67	\$11.36	\$11.37	\$11.61	\$46.01	\$46.01	\$46.01
Y/Y growth	4%	-11%	14%	21%	27%	14%	44%	11%	-3%	-3%	8%	0%	0%
Subscriber Hours as % of Total Listener Hours	8%	9%	14%	15%	13%	12%	12%	13%	11%	11%	12%	9%	9%
Total Subscriber Listener hours (millions)	1,039	368	544	584	588	2,084	585	658	576	559	2,379	2,101	2,329
Y/Y growth	39%	103%	100%	118%	85%	101%	59%	21%	-1%	-5%	14%	-12%	11%
Q/Q growth		16%	48%	7%	1%		0%	12%	-12%	-3%			
Monthly Hours per Average Subscriber	60	49	60	63	60	58	58	64	54	52	57	45	46
Y/Y growth	-10%	-5%	-9%	1%	1%	-2%	18%	7%	-15%	-15%	-2%	-21%	3%
Total Subscription Revenue / 1,000 hours	\$51.65	\$55.22	\$56.81	\$62.12	\$65.98	\$60.61	\$67.47	\$59.04	\$70.75	\$75.04	\$67.71	\$85.92	\$83.74
Y/Y growth	15%	-6%	25%	19%	25%	17%	22%	4%	14%	14%	12%	27%	-3%
Subscription Revenue / hour	\$0.052	\$0.055	\$0.057	\$0.062	\$0.066	\$0.061	\$0.067	\$0.059	\$0.071	\$0.075	\$0.068	\$0.086	\$0.084
Y/Y growth	15%	-6%	25%	19%	25%	17%	22%	4%	14%	14%	12%	27%	-3%
TOTAL NON-GAAP SUBSCRIPTION REVENUE	\$53.7	\$20.3	\$30.9	\$36.3	\$38.8	\$126.3	\$39.5	\$38.8	\$40.8	\$42.0	\$161.1	\$180.6	\$195.0
Y/Y growth	59%	91%	151%	159%	132%	135%	94%	26%	12%	8%	28%	12%	8%
Q/Q growth		21%	52%	18%	7%		2%	-2%	5%	3%			
% of Total Revenue	13%	17%	19%	21%	19%	20%	22%	18%	17%	16%	18%	15%	12%
TOTAL REVENUE	\$414.4	\$117.0	\$158.4	\$171.3	\$200.8	\$647.5	\$180.1	\$219.9	\$243.6	\$268.9	\$912.5	\$1,242.1	\$1,620.2
Y/Y growth	55%	62%	59%	56%	51%	56%	54%	39%	42%	34%	41%	36%	30%
Q/Q growth		-12%	35%	8%	17%		-10%	22%	11%	10%			
Total Listener Hours (millions)	13,510	4,260	3,910	3,985	4,544	16,699	4,796	4,983	5,101	5,275	20,156	23,350	26,464
Y/Y growth	74%	45%	21%	16%	16%	24%	13%	27%	28%	16%	21%	16%	13%
Q/Q growth		9%	-8%	2%	14%		6%	4%	2%	3%			
Total Revenue/1,000 hours	\$30.67	\$27.47	\$40.52	\$42.97	\$44.19	\$38.77	\$37.56	\$44.12	\$47.75	\$50.97	\$45.27	\$53.19	\$61.22
Y/Y growth	-11%	11%	32%	34%	30%	26%	37%	9%	11%	15%	17%	17%	15%
Total Revenue/hour	\$0.031	\$0.027	\$0.041	\$0.043	\$0.044	\$0.039	\$0.038	\$0.044	\$0.048	\$0.051	\$0.045	\$0.053	\$0.061

Source: J.P. Morgan estimates Company data.

Figure 33: Yelp Income Statement

\$ in thousands

	2012A	1Q13A	2Q13A	3Q13A	4Q13A	2013E	1Q14A	2Q14E	3Q14E	4Q14E	2014E	2015E	2016E
Net Revenue	137,566	46,133	55,023	61,181	70,651	232,988	76,407	86,342	94,882	107,947	365,577	525,258	713,866
Cost of Revenue	9,805	3,268	3,913	4,173	4,786	16,140	4,927	5,526	5,978	6,801	23,231	33,617	45,687
Gross Profit	127,761	42,865	51,110	57,008	65,865	216,848	71,480	80,816	88,904	101,146	342,346	491,642	668,178
Operating Expenses													
Sales and marketing	80,999	26,206	28,521	31,466	35,646	121,839	41,724	44,725	46,492	52,030	184,971	246,871	306,962
Product Development	18,768	6,420	6,957	9,499	9,097	31,973	10,940	12,433	12,904	13,817	50,094	64,082	78,525
G&A Expense	23,397	7,035	7,862	7,993	10,717	33,607	10,303	11,483	12,430	14,033	48,249	68,284	85,664
Depreciation and amortization	7,223	2,478	2,637	2,816	3,524	11,455	3,661	4,317	4,744	5,397	18,119	18,384	19,274
Contribution to The Yelp Foundation	1,262	675	-	-	-	675	-	-	-	-	-	-	-
Stock Based Compensation	14,879	4,605	5,713	7,015	8,789	26,122	9,456	11,224	10,911	11,334	42,926	39,394	35,693
Total Operating Expenses	146,528	47,419	51,690	58,789	67,773	225,671	76,084	84,183	87,481	96,612	344,360	437,015	526,119
Operating Income	(18,767)	(4,554)	(580)	(1,781)	(1,908)	(8,823)	(4,604)	(3,367)	1,423	4,534	(2,014)	54,627	142,059
PF Operating Income	(2,626)	726	5,133	5,234	6,881	17,974	4,852	7,857	12,335	15,868	40,912	94,021	177,753
Other Income	(225)	(201)	(66)	(31)	(109)	(407)	(2)	(66)	(31)	(109)	(208)	(208)	(208)
Pre-tax Income	(18,992)	(4,755)	(646)	(1,812)	(2,017)	(9,230)	(4,606)	(3,433)	1,392	4,425	(2,222)	54,419	141,851
Provision for Taxes	122	44	232	510	52	838	(1,971)	45	45	45	(1,836)	19,591	49,648
Effective Tax Rate	NM	NM	NM	NM	NM	-9%	NM	NM	NM	NM	83%	36%	35%
GAAP Net Income	(19,114)	(4,799)	(878)	(2,322)	(2,069)	(10,068)	(2,635)	(3,478)	1,347	4,380	(386)	34,828	92,203
Accretion of redeemable convertible preferred stock	(31)	-	-	-	-	-	-	-	-	-	-	-	-
Net loss attributable to common stockholders	(19,145)	(4,799)	(878)	(2,322)	(2,069)	(10,068)	(2,635)	(3,478)	1,347	4,380	(386)	34,828	92,203
GAAP EPS	(\$0.35)	(\$0.08)	(\$0.01)	(\$0.04)	(\$0.03)	(\$0.15)	(\$0.04)	(\$0.05)	\$0.02	\$0.05	(\$0.01)	\$0.42	\$1.08
Basic Shares Out	54,151	63,733	64,576	65,530	68,859	65,675	71,171	71,883	73,320	74,787	72,790	74,246	75,731
Diluted Shares Out	54,151	69,567	70,402	71,247	77,359	72,144	79,680	81,273	82,899	84,557	82,102	83,744	85,419
Non-GAAP Net Income	(3,004)	481	4,835	4,693	6,720	16,729	6,821	7,746	12,259	15,714	42,540	74,222	127,897
Non-GAAP EPS	(\$0.06)	\$0.01	\$0.07	\$0.07	\$0.09	\$0.23	\$0.09	\$0.10	\$0.15	\$0.19	\$0.52	\$0.89	\$1.50
EBITDA Calculation													
Operating Income	(18,767)	(4,554)	(580)	(1,781)	(1,908)	(8,823)	(4,604)	(3,367)	1,423	4,534	(2,014)	54,627	142,059
Contribution to The Yelp Foundation	1,262	675	-	-	-	675	-	-	-	-	-	-	-
Depreciation and Amortization	7,223	2,478	2,637	2,816	3,524	11,455	3,661	4,317	4,744	5,397	18,119	18,384	19,274
Stock Based Compensation	14,879	4,605	5,713	7,015	8,789	26,122	9,456	11,224	10,911	11,334	42,926	39,394	35,693
Adjusted EBITDA	4,597	3,204	7,770	8,050	10,405	29,429	8,513	12,174	17,079	21,265	59,031	112,405	197,027
	2012A	1Q13A	2Q13A	3Q13A	4Q13A	2013E	1Q14A	2Q14E	3Q14E	4Q14E	2014E	2015E	2016E
Y/Y Growth													
Local Advertising Revenue	87%	81%	77%	80%	71%	77%	67%	64%	62%	60%	63%	48%	39%
Brand Advertising Revenue	16%	20%	24%	17%	84%	36%	55%	25%	20%	17%	26%	15%	10%
Other Operating Revenue	10%	24%	87%	54%	50%	53%	58%	22%	22%	21%	29%	18%	11%
Net Revenue	65%	68%	69%	68%	72%	69%	66%	57%	55%	53%	57%	44%	36%
Cost of Revenue	67%	55%	73%	69%	61%	65%	51%	41%	43%	42%	44%	45%	36%
Gross Profit	65%	70%	68%	68%	72%	70%	67%	58%	56%	54%	58%	44%	36%
Sales and marketing	53%	49%	47%	56%	50%	50%	59%	57%	48%	46%	52%	33%	24%
Product Development	73%	65%	72%	80%	64%	70%	70%	79%	36%	52%	57%	28%	23%
G&A Expense	59%	50%	47%	27%	51%	44%	46%	46%	56%	31%	44%	42%	25%
Depreciation and amortization	70%	82%	59%	58%	46%	59%	48%	64%	68%	53%	58%	1%	5%
Total Operating Expenses	57%	35%	60%	64%	56%	54%	60%	63%	49%	43%	53%	27%	20%
Operating Income	16%	-53%	-70%	-9%	-63%	-53%	1%	481%	-180%	-338%	-77%	-2812%	160%
PF Operating Income	-51%	-131%	-6516%	1270%	-1217%	-784%	568%	53%	136%	131%	128%	130%	89%
GAAP Net Income	15%	-51%	-56%	15%	-61%	-47%	-45%	296%	-158%	-312%	-96%	-9115%	165%
Net loss attributable to common stockholders	14%	-51%	-56%	15%	-61%	-47%	-45%	296%	-158%	-312%	-96%	-9115%	165%
GAAP EPS	-68%	-76%	-58%	8%	-64%	-57%	-51%	256%	-146%	-272%	-97%	-7936%	160%
Non-GAAP Net Income	-50%	-120%	-3999%	1353%	-941%	-657%	1318%	60%	161%	134%	154%	74%	72%
Non-GAAP EPS	-86%	-109%	-3472%	1272%	-785%	-518%	1138%	39%	124%	114%	123%	71%	69%
Adjusted EBITDA	-508%	-437%	391%	272%	476%	540%	166%	57%	112%	104%	101%	90%	75%
% of Revenue													
Cost of Revenue	7.1%	7.1%	7.1%	6.8%	6.8%	6.9%	6.4%	6.4%	6.3%	6.3%	6.4%	6.4%	6.4%
Gross Profit	92.9%	92.9%	92.9%	93.2%	93.2%	93.1%	93.6%	93.6%	93.7%	93.7%	93.6%	93.6%	93.6%
Sales and marketing	58.9%	56.8%	51.8%	51.4%	50.5%	52.3%	54.6%	51.8%	49.0%	48.2%	50.6%	47.0%	43.0%
Product Development	13.6%	13.9%	12.6%	15.5%	12.9%	13.7%	14.3%	14.4%	13.6%	12.8%	13.7%	12.2%	11.0%
G&A Expense	17.0%	15.2%	14.3%	13.1%	15.2%	14.4%	13.5%	13.3%	13.1%	13.0%	13.2%	13.0%	12.0%
Depreciation and amortization	5.3%	5.4%	4.8%	4.6%	5.0%	4.9%	4.8%	5.0%	5.0%	5.0%	5.0%	3.5%	2.7%
Stock Based Compensation	10.8%	10.0%	10.4%	11.5%	12.4%	11.2%	12.4%	13.0%	11.5%	10.5%	11.7%	7.5%	5.0%
Total Operating Expenses	106.5%	102.8%	93.9%	96.1%	95.9%	96.9%	99.6%	97.5%	92.2%	89.5%	94.2%	83.2%	73.7%
Operating Income	-13.6%	-9.9%	-1.1%	-2.9%	-2.7%	-3.8%	-6.0%	-3.9%	1.5%	4.2%	-0.6%	10.4%	19.9%
PF Operating Income	-1.9%	1.6%	9.3%	8.6%	9.7%	7.7%	6.4%	9.1%	13.0%	14.7%	11.2%	17.9%	24.9%
GAAP Net Income	-13.9%	-10.4%	-1.6%	-3.8%	-2.9%	-4.3%	-3.4%	-4.0%	1.4%	4.1%	-0.1%	6.6%	12.9%
Net loss attributable to common stockholders	-13.9%	-10.4%	-1.6%	-3.8%	-2.9%	-4.3%	-3.4%	-4.0%	1.4%	4.1%	-0.1%	6.6%	12.9%
Non-GAAP Net Income	-2.2%	1.0%	8.8%	7.7%	9.5%	7.2%	8.9%	9.0%	12.9%	14.6%	11.6%	14.1%	17.9%
Adjusted EBITDA	3.3%	6.9%	14.1%	13.2%	14.7%	12.6%	11.1%	14.1%	18.0%	19.7%	16.1%	21.4%	27.6%

Source: J.P. Morgan estimates Company data.

Figure 34: Yelp Revenue Drivers

\$ in thousands

	2012A	1Q13A	2Q13A	3Q13A	4Q13A	2013E	1Q14A	2Q14E	3Q14E	4Q14E	2014E	2015E	2016E
Total Revenues	137,566	46,133	55,023	61,181	70,651	232,988	76,407	12,683	12,039	14,819	115,948	155,421	199,289
Y/Y Growth	65.2%	68.5%	68.5%	68.2%	71.7%	69.4%	65.6%	-76.9%	-80.3%	-79.0%	-50.2%	34.0%	28.2%
Q/Q Growth		12.1%	19.3%	11.2%	15.5%		8.1%	-83.4%	-5.1%	23.1%			
Claimed Local Business Locations	994	1,100	1,200	1,300	1,500	1,500	1,600	1,744	1,892	2,053	2,053	2,710	3,442
Y/Y Growth	64.0%	57.1%	51.7%	46.2%	50.9%	50.9%	45.5%	45.3%	45.6%	36.9%	36.9%	32.0%	27.0%
Q/Q Growth		10.7%	9.1%	8.3%	15.4%		6.7%	9.0%	8.5%	8.5%			
Claimed Businesses Per Market	10.2	10.7	11.1	11.8	13.4	13.4	13.7	14.3	14.9	15.6	15.6	17.8	20.2
Y/Y Growth	20.1%	25.1%	26.4%	27.6%	30.7%	30.7%	28.0%	28.7%	26.1%	16.1%	16.1%	14.6%	13.6%
Q/Q Growth		4.2%	4.0%	6.4%	13.3%		2.1%	4.5%	4.2%	4.4%			
Active Local Business Account	39.8	44.7	51.4	57.2	67.2	67.2	74.0	83.7	93.7	105.7	105.7	151.8	206.5
Y/Y Growth	67.9%	65.6%	60.6%	61.1%	68.8%	68.8%	65.5%	62.9%	63.8%	57.3%	57.3%	43.5%	36.1%
Q/Q Growth		12.3%	15.0%	11.3%	17.5%		10.1%	13.1%	11.9%	12.9%			
% of claimed local Business Locations	4.0%	4.1%	4.3%	4.4%	4.5%	4.5%	4.6%	4.8%	5.0%	5.2%	5.2%	5.6%	6.0%
Net new ALBAs Added (Sequential)	16.1	4.9	6.7	5.8	10.0	27.4	6.8	9.7	10.0	12.1	38.5	46.0	54.7
Y/Y Growth	29.8%	48.5%	34.0%	65.7%	132.6%	70.2%	38.8%	45.0%	71.6%	20.7%	40.6%	19.5%	18.9%
Avg. Revenue per Active Account per month	\$286	\$307	\$311	\$314	\$311	\$301	\$311	\$0	\$0	\$0	\$63	\$63	\$63
Y/Y Growth	2.9%	8.8%	8.9%	11.7%	3.7%	5.0%	1.3%	-100.0%	-100.0%	-100.0%	-79.1%	-0.5%	0.0%
Q/Q Growth		2.3%	1.1%	1.1%	-0.9%		0.0%	0.0%	0.0%	0.0%			
Local Advertising Revenue	109,133	38,950	44,800	51,200	58,100	193,050	65,200	-	-	-	65,200	96,597	134,401
Y/Y Growth	86.6%	81.4%	77.4%	79.7%	71.3%	76.9%	67.4%	-100.0%	-100.0%	-100.0%	-66.2%	48.2%	39.1%
Q/Q Growth		14.8%	15.0%	14.3%	13.5%		12.2%	-100.0%	#DIV/0!	#DIV/0!			
Qtype		1,321	660	405	511	2,897							
Y/Y Growth													
Q/Q Growth		7.0%	-50.0%	-38.7%	26.2%								
% of Total		2.9%	1.2%	0.7%	0.7%	1.2%							
Yelp Intl Core		1,384	2,091	2,633	2,315	8,422							
Y/Y Growth					275.0%								
Q/Q Growth		124.2%	51.1%	25.9%	-12.1%								
% of Total		3.0%	3.8%	4.3%	3.3%	3.6%							
Yelp Intl Total		2,705	2,751	3,038	2,826	11,320	2,292	(70,642)	(78,505)	(87,886)	(234,740)	(359,774)	(518,210)
Y/Y Growth					52.6%		-15.3%	-2667.7%	-2684.5%	-3209.8%	-2173.8%	53.3%	44.0%
Q/Q Growth		46.0%	1.7%	10.4%	-7.0%		-18.9%	-3181.8%	11.1%	11.9%			
% of Total		5.9%	5.0%	5.0%	4.0%	4.9%	3.0%	-557.0%	-652.1%	-593.1%	-202.5%		
Yelp NA	107,281	36,245	42,049	48,162	55,274	181,730	65,200	70,642	78,505	87,886	302,232	456,371	652,611
Y/Y Growth	83.5%	68.8%	66.5%	69.1%	72.4%	69.4%	79.9%	68.0%	63.0%	59.0%	66.3%	51.0%	43.0%
Q/Q Growth		13.0%	16.0%	14.5%	14.8%		18.0%	8.3%	11.1%	11.9%			
Brand Advertising Revenue	20,583	4,800	7,045	6,900	9,200	27,945	7,450	8,806	8,280	10,764	35,300	40,595	44,655
Y/Y Growth	16.4%	20.2%	23.5%	17.2%	84.0%	35.8%	55.2%	25.0%	20.0%	17.0%	26.3%	15.0%	10.0%
Q/Q Growth		-4.0%	46.8%	-2.1%	33.3%		-19.0%	18.2%	-6.0%	30.0%			
Other Revenue	7,850	2,383	3,178	3,081	3,351	11,993	3,757	3,877	3,759	4,055	15,448	18,228	20,233
Y/Y Growth	10.2%	24.2%	87.5%	54.1%	49.8%	52.8%	57.7%	22.0%	22.0%	21.0%	28.8%	18.0%	11.0%
Q/Q Growth		6.5%	33.4%	-3.1%	8.8%		12.1%	3.2%	-3.1%	7.9%			
Cumulative Yelp Markets	97	103	108	110	112	112	117	122	127	132	132	152	170
Y/Y Growth	36.6%	25.6%	20.0%	14.6%	15.5%	15.5%	13.6%	13.0%	15.5%	17.9%	17.9%	15.2%	11.8%
Q/Q Growth		6.2%	4.9%	1.9%	1.8%		4.5%	4.3%	4.1%	3.9%			
Domestic													
International													
New Yelp Markets	26	6	5	2	2	15	5	5	5	5	20	20	18
Domestic													
International													

Source: J.P. Morgan estimates Company data.

Figure 35: Groupon Income Statement

\$ in thousands except per share data

	2012A	3/13A	6/13A	9/13A	12/13A	2013A	3/14A	6/14E	9/14E	12/14E	2014E	2015E	2016E
Gross Billings	5,380,184	1,407,769	1,413,806	1,342,648	1,593,107	5,757,330	1,817,211	1,790,751	1,818,734	2,075,272	7,501,968	8,076,896	8,980,850
3P and Other Revenue	1,879,729	439,108	418,871	394,987	401,688	1,654,654	426,429	483,440	532,045	616,717	2,116,654	2,423,409	2,718,745
Direct Revenue	454,743	162,294	189,876	200,072	366,759	919,001	331,208	268,377	219,079	283,222	1,043,864	1,255,929	1,531,869
Revenue	2,334,472	601,402	608,747	595,059	768,447	2,573,655	757,637	751,817	751,125	899,939	3,160,518	3,679,338	4,250,614
Cost of Revenue	715,443	221,393	224,053	235,437	390,239	1,071,122	371,916	335,282	309,420	374,368	1,390,986	1,552,392	1,729,220
SBC in Cost of Revenue	3,497	1,000	-	-	-	1,000	-	-	-	-	-	-	-
Gross Profit	1,619,029	380,009	384,694	359,622	378,208	1,502,533	385,721	416,536	441,705	525,571	1,769,533	2,126,946	2,521,393
Operating Expenses (ex SBC and Acquisition Related)													
Marketing	333,482	48,557	55,497	53,265	56,505	213,824	78,924	78,648	79,610	85,731	322,913	314,345	443,705
SG&A	1,081,832	280,299	270,154	267,204	273,847	1,091,504	301,236	300,727	307,961	359,976	1,269,900	1,508,529	1,700,245
Stock Based Compensation	104,117	29,907	31,631	25,341	32,239	119,118	23,729	35,335	35,303	42,297	136,664	183,967	212,531
Acquisition and 1x charges	897	68	-	-	2,265	2,333	1,785	-	-	-	1,785	-	-
Total Operating Expenses	1,520,328	358,831	357,282	345,810	364,856	1,426,779	405,674	414,710	422,874	488,004	1,731,262	2,006,840	2,356,481
Operating Income (loss)	98,701	21,178	27,412	13,812	13,352	75,754	(19,953)	1,826	18,831	37,567	38,270	120,106	164,912
CSOI	203,715	51,153	59,043	39,153	47,856	197,205	5,561	37,161	54,134	79,864	205,521	304,073	377,443
Interest & other Income (expense), net	6,166	-	-	-	-	-	-	2,911	3,144	3,443	9,497	21,421	30,490
Equity method investment activity, net of tax	(9,925)	(5,083)	(5,579)	832	(84,833)	(94,663)	(840)	-	-	-	(840)	-	-
Income before Income Taxes	94,942	16,095	21,833	14,644	(71,481)	(18,909)	(20,793)	4,736	21,974	41,010	46,928	141,527	195,402
Provision (benefit) for Income Tax	145,973	19,337	27,384	15,936	7,380	70,037	14,570	14,209	15,382	16,404	60,565	49,534	68,391
Tax Rate (%)	153.7%	120.1%	125.4%	108.8%	-10.3%	-370.4%	-70.1%	300.0%	70.0%	40.0%	129.1%	35.0%	35.0%
Net income (loss)	(51,031)	(3,242)	(5,551)	(1,292)	(78,861)	(88,946)	(35,363)	(9,473)	6,592	24,606	(13,637)	91,992	127,011
Less: Net income attributable to noncontrolling interests	(3,742)	(750)	(2,023)	(1,288)	(2,386)	(6,447)	(2,432)	(2,432)	(2,432)	(2,432)	(9,728)	-	-
Net income (loss) attributable to Groupon Inc.	(54,773)	(3,992)	(7,574)	(2,580)	(81,247)	(95,393)	(37,795)	(11,905)	4,160	22,174	(23,365)	91,992	127,011
Other charges (benefits), incl. preferred dividends	(12,604)	-	-	-	-	-	-	-	-	-	-	-	-
Net Income (loss) attributable to common stockholders	(67,377)	(3,992)	(7,574)	(2,580)	(81,247)	(95,393)	(37,795)	(11,905)	4,160	22,174	(23,365)	91,992	127,011
GAAP Diluted EPS	(\$0.10)	(\$0.01)	(\$0.01)	(\$0.00)	(\$0.12)	(\$0.14)	(\$0.06)	(\$0.02)	\$0.01	\$0.03	(\$0.03)	\$0.13	\$0.17
Diluted Shares Outstanding	658,922	658,800	677,006	666,433	668,046	667,571	682,379	704,086	693,090	694,768	693,581	714,388	735,820
Pro Forma Net Income Reconciliation													
Net Income	(67,377)	(3,992)	(7,574)	(2,580)	(81,247)	(95,393)	(37,795)	(11,905)	4,160	22,174	(23,365)	91,992	127,011
Plus: Non-GAAP Charges (incl SBC)	105,014	29,975	31,631	25,341	120,025	206,972	25,514	35,335	35,303	42,297	138,449	183,967	212,531
Minus: Tax Effect	-	-	9,797	8,292	11,301	29,390	4,271	-	-	-	4,271	-	-
Pro Forma Net Income	37,637	25,983	14,260	14,469	27,477	82,189	(8,010)	23,431	39,463	64,471	110,813	275,959	339,542
Pro Forma EPS	\$0.06	\$0.04	\$0.02	\$0.02	\$0.04	\$0.12	(\$0.01)	\$0.03	\$0.06	\$0.09	\$0.16	\$0.39	\$0.46
CSOI	203,715	51,153	59,043	39,153	47,856	197,205	5,561	37,161	54,134	79,864	205,521	304,073	377,443
Plus: Subscriber Acquisition Marketing	234,584	-	-	-	-	-	-	-	-	-	-	-	-
Adjusted CSOI	438,299	51,153	59,043	39,153	47,856	197,205	5,561	37,161	54,134	79,864	205,521	304,073	377,443
EBITDA	259,516	71,853	80,511	62,302	71,988	286,654	40,301	56,708	73,663	103,262	302,735	399,736	487,959
Y/Y Growth	2012A	3/13A	6/13A	9/13A	12/13A	2013A	3/14A	6/14E	9/14E	12/14E	2014E	2015E	2016E
Gross Billings	35.0%	3.9%	9.9%	10.2%	4.8%	7.0%	29.1%	26.7%	35.5%	30.3%	30.3%	7.7%	11.2%
Revenue	45.0%	7.5%	7.1%	4.7%	20.4%	10.2%	26.0%	23.5%	26.2%	17.1%	22.8%	16.4%	15.5%
Cost of Revenue	177.6%	86.0%	67.0%	30.2%	38.6%	49.7%	68.0%	49.6%	31.4%	-4.1%	29.9%	11.6%	11.4%
Gross Profit	19.7%	-13.7%	-11.4%	-7.3%	6.0%	-7.2%	1.5%	8.3%	22.8%	39.0%	17.8%	20.2%	18.5%
Marketing	-56.5%	-58.1%	-36.8%	-23.8%	-5.7%	-35.9%	62.5%	41.7%	49.5%	51.7%	51.0%	-2.7%	41.2%
SG&A	48.0%	9.2%	-1.6%	-0.1%	-3.3%	0.9%	7.5%	11.3%	15.3%	31.5%	16.3%	18.8%	12.7%
Acquisition and 1x charges	NM	NM	-100.0%	-100.0%	1380.4%	160.1%	2525.0%	NA	NA	-100.0%	-23.5%	-100.0%	NA
Total Operating Expenses	-4.1%	-10.4%	-7.8%	-4.6%	-1.3%	-6.2%	13.1%	16.1%	22.3%	33.8%	21.3%	15.9%	17.4%
Operating Income (loss)	NM	-46.6%	-41.0%	-45.7%	NM	-23.2%	NM	-93.3%	36.3%	181.4%	-49.5%	213.8%	37.3%
CSOI	NM	-24.3%	-17.9%	-22.5%	249.2%	-3.2%	-89.1%	-37.1%	38.3%	66.9%	4.2%	48.0%	24.1%
Income before Income Taxes	NM	-48.0%	-78.3%	-43.5%	14.6%	NM	NM	-78.3%	50.1%	NM	NM	201.6%	38.1%
Net income (loss)	-82.9%	-9.8%	NM	37.4%	-1.5%	74.3%	990.8%	70.6%	NM	NM	-84.7%	NM	38.1%
Net income (loss) attributable to Groupon Inc.	-80.4%	-10.8%	NM	56.7%	0.3%	74.2%	846.8%	57.2%	NM	NM	-75.5%	NM	38.1%
Net Income (loss) attributable to common stockholders	-82.0%	-65.9%	NM	-13.4%	0.2%	41.6%	846.8%	57.2%	NM	NM	-75.5%	NM	38.1%
GAAP Basic EPS	-84.6%	-66.8%	NM	-15.1%	-1.7%	38.5%	806.0%	50.4%	NM	NM	-76.6%	NM	34.0%
GAAP Diluted EPS	-84.8%	-65.6%	NM	-15.1%	-1.7%	39.7%	814.1%	47.9%	NM	NM	-76.4%	NM	34.0%
EBITDA	NM	-9.4%	-5.0%	-5.3%	142.6%	10.5%	-43.9%	-29.6%	18.2%	43.4%	5.6%	32.0%	22.1%
Pro Forma EPS	NM	61.0%	-74.1%	-37.5%	NM	115.5%	NM	58.0%	169.5%	125.6%	29.8%	141.8%	19.5%
% of Revenue													
Cost of Revenue	30.6%	36.8%	36.8%	39.6%	50.8%	41.6%	49.1%	44.6%	41.2%	41.6%	44.0%	42.2%	40.7%
Gross Profit	69.4%	63.2%	63.2%	60.4%	49.2%	58.4%	50.9%	55.4%	58.8%	58.4%	56.0%	57.8%	59.3%
Marketing	6.2%	3.4%	3.9%	4.0%	3.5%	3.7%	4.3%	4.4%	4.4%	4.1%	4.3%	3.9%	4.9%
SG&A	46.3%	46.6%	44.4%	44.9%	35.6%	42.4%	39.8%	40.0%	41.0%	40.0%	40.2%	41.0%	40.0%
Stock Based Compensation	4.5%	5.0%	5.2%	4.3%	4.2%	4.6%	3.1%	4.7%	4.7%	4.7%	4.3%	5.0%	5.0%
Total Operating Expenses	65.1%	59.7%	58.7%	58.1%	47.5%	55.4%	53.5%	55.2%	56.3%	54.2%	54.8%	54.5%	55.4%
Operating Income (loss)	4.2%	3.5%	4.5%	2.3%	1.7%	2.9%	-2.6%	0.2%	2.5%	4.2%	1.2%	3.3%	3.9%
CSOI	8.7%	8.5%	9.7%	6.6%	6.2%	7.7%	0.7%	4.9%	7.2%	8.9%	6.5%	8.3%	8.9%
EBITDA	11.1%	11.9%	13.2%	10.5%	9.4%	11.1%	5.3%	7.5%	9.8%	11.5%	9.6%	10.9%	11.5%

Source: J.P. Morgan estimates Company data.

Figure 36: Groupon Revenue Analysis

\$ in thousands except per share data

	2012A	3/13A	6/13A	9/13A	12/13A	2013A	3/14A	6/14E	9/14E	12/14E	2014E	2015E	2016E
Consolidated													
Local													
Local Gross Billings	3,214,191	829,553	806,201	728,231	829,705	3,193,690	886,926	946,647	1,007,027	1,177,358	4,017,958	4,494,516	5,140,398
Third Party and Other	3,202,154	829,553	805,508	727,191	829,666	3,191,918	886,926	946,647	1,007,027	1,177,358	4,017,958	4,494,516	5,140,398
Direct	12,037	0	693	1,040	39	1,772	0	0	0	0	0	0	0
Local Revenue	1,380,846	327,393	327,614	302,184	314,787	1,271,978	330,181	369,895	390,725	456,094	1,546,895	1,698,053	1,946,064
Third Party and Other	1,368,809	327,393	326,921	301,144	314,748	1,270,206	330,181	369,895	390,725	456,094	1,546,895	1,698,053	1,946,064
% Take rate	42.7%	39.5%	40.6%	41.4%	37.9%	39.8%	37.2%	39.1%	38.8%	38.7%	38.5%	38%	38%
Direct	12,037	0	693	1,040	39	1,772	0	0	0	0	0	0	0
Local Cost of Revenue	229,935	46,030	39,314	38,529	35,481	159,354	43,651	50,508	53,764	61,932	209,854	254,002	276,044
Third Party and Other	219,807	46,030	38,678	36,642	35,450	156,800	43,651	50,508	53,764	61,932	209,854	254,002	276,044
% of Local Revenue	15.9%	14.1%	11.8%	12.1%	11.3%	12.3%	13.2%	13.7%	13.8%	13.6%	13.6%	15.0%	14.2%
Direct	10,128	0	636	1,887	31	2,554	0	0	0	0	0	0	0
Local Gross Profit	1,150,911	281,363	288,300	263,655	279,306	1,112,624	286,530	319,387	336,961	394,162	1,337,041	1,444,051	1,670,020
% of Consolidated Gross Billings	36%	34%	36%	36%	34%	35%	32%	34%	33%	33%	32%	32%	32%
% of Consolidated Revenue	83%	86%	88%	87%	89%	87%	87%	86%	86%	86%	86%	85%	86%
Third Party and Other	1,149,002	281,363	288,243	264,502	279,298	1,113,406	286,530	319,387	336,961	394,162	1,337,041	1,444,051	1,670,020
Direct	1,909	0	57	-847	8	-782	0	0	0	0	0	0	0
Goods													
Goods Gross Billings	1,494,720	392,324	436,871	443,387	595,370	1,867,952	709,000	612,476	568,826	646,009	2,536,311	2,473,035	2,549,453
Third Party and Other	1,056,267	230,030	247,688	244,355	228,650	950,723	432,878	344,099	349,746	362,787	1,489,510	1,217,106	1,017,584
Direct	438,453	162,294	189,183	199,032	366,720	917,229	276,122	268,377	219,079	283,222	1,046,801	1,255,929	1,531,869
Goods Revenue	772,963	229,375	241,757	252,254	413,713	1,137,099	386,179	316,719	292,017	368,274	1,363,188	1,668,007	1,938,923
Third Party and Other	334,510	67,081	52,574	53,222	46,993	219,870	112,994	48,341	72,937	85,051	319,324	412,078	407,055
% Take rate	31.7%	29.2%	21.2%	21.8%	20.6%	23.1%	26.1%	14.0%	20.9%	23.4%	21.4%	34%	40%
Direct	438,453	162,294	189,183	199,032	366,720	917,229	273,185	268,377	219,079	283,222	1,043,864	1,255,929	1,531,869
Goods Cost of Revenue	458,871	170,233	178,706	189,686	347,376	886,001	291,141	268,814	240,707	295,941	1,096,603	1,182,317	1,316,056
Third Party and Other	51,522	17,856	10,796	10,137	9,706	48,495	15,313	29,021	46,331	44,674	135,338	149,887	132,371
% of 3P Gross Billings	4.9%	7.8%	4.4%	4.1%	4.2%	5.1%	3.5%	8.4%	13.2%	12.3%	9.1%	12.3%	13.0%
Direct	407,349	152,377	167,910	179,549	337,670	837,506	275,828	239,793	194,377	251,267	961,265	1,032,430	1,183,685
% of Direct Goods Billings	92.9%	93.9%	88.8%	90.2%	92.1%	91.3%	99.9%	89.3%	88.7%	88.7%	91.8%	82.2%	77.3%
Goods Gross Profit	314,092	59,142	63,051	62,568	66,337	251,098	95,038	47,905	51,309	72,333	266,585	485,690	622,867
% of Consolidated Gross Billings	21%	15%	14%	14%	11%	13%	13%	8%	9%	11%	20%	24%	24%
% of Consolidated Revenue	41%	26%	26%	25%	16%	22%	25%	15%	18%	20%	20%	29%	32%
Third Party and Other	282,988	49,225	41,778	43,085	37,287	171,375	97,681	19,320	26,607	40,377	183,966	262,190	274,683
Direct	31,104	9,917	21,273	19,483	29,050	79,723	-2,643	28,584	24,703	31,955	82,599	223,499	348,184
Travel and Other													
Travel and Other Gross Billings	671,273	185,892	170,734	171,030	168,032	695,688	221,285	231,627	242,882	251,905	947,699	1,109,346	1,291,000
Third Party and Other	667,020	185,892	170,734	171,030	168,032	695,688	221,285	231,627	242,882	251,905	947,699	1,109,346	1,291,000
Direct	4,253	0	0	0	0	0	0	0	0	0	0	0	0
Travel and Other Revenue	180,663	44,634	39,376	40,621	39,947	164,578	41,277	65,204	68,383	75,572	250,435	313,278	365,627
Third Party and Other	176,410	44,634	39,376	40,621	39,947	164,578	41,277	65,204	68,383	75,572	250,435	313,278	365,627
% Take rate	26.4%	24.0%	23.1%	23.8%	23.8%	23.7%	18.7%	28.2%	28.2%	30.0%	26.4%	28%	28%
Direct	4,253	0	0	0	0	0	0	0	0	0	0	0	0
Travel and Other Cost of Revenue	30,134	6,130	6,033	7,222	7,382	26,767	11,260	15,960	14,949	16,495	58,664	116,072	137,121
Third Party and Other	26,410	6,130	6,033	7,222	7,382	26,767	11,260	15,960	14,949	16,495	58,664	116,072	137,121
% of Travel & Other Billings	4.0%	3.3%	3.5%	4.2%	4.4%	3.8%	5.1%	6.9%	6.2%	6.5%	6.2%	10.5%	10.6%
Direct	3,724	0	0	0	0	0	0	0	0	0	0	0	0
Travel and Other Gross Profit	150,529	38,504	33,343	33,399	32,565	137,811	30,017	49,244	53,434	59,076	191,771	197,206	228,506
% of Consolidated Gross Billings	22%	21%	20%	20%	19%	20%	14%	21%	22%	20%	20%	18%	18%
% of Consolidated Revenue	83%	86%	85%	82%	82%	84%	73%	76%	78%	78%	77%	63%	62%
Third Party and Other	150,000	38,504	33,343	33,399	32,565	137,811	30,017	49,244	53,434	59,076	191,771	197,206	228,506
Direct	529	0	0	0	0	0	0	0	0	0	0	0	0
Consolidated Gross Billings	5,380,184	1,407,769	1,413,806	1,342,648	1,593,107	5,757,330	1,817,211	1,790,751	1,818,734	2,075,272	7,501,968	8,076,896	8,980,850
Y/Y Growth	35%	4%	10%	10%	5%	7%	29%	27%	35%	30%	30%	8%	11%
Y/Y Growth ex-FX	35%	4%	10%	10%	5%	7%	29%	27%	35%	30%	30%	8%	11%
Consolidated FX impact (% impact)		-1%	-1%	-1%									
TTM	5,380,184	5,433,153	5,560,283	5,684,675	5,757,330	5,757,330	6,166,772	6,543,717	7,019,803	7,501,968	7,501,968	8,076,896	8,980,850
Consolidated Third Party and Other	4,925,441	1,245,475	1,223,930	1,142,576	1,226,348	4,838,329	1,541,089	1,522,373	1,599,655	1,792,050	6,455,167	6,820,967	7,448,982
Consolidated Direct	454,743	162,294	189,876	200,072	366,759	919,001	276,122	268,377	219,079	283,222	1,046,801	1,255,929	1,531,869
Consolidated Revenue	2,334,472	601,402	608,747	595,059	768,447	2,573,655	757,637	751,817	751,125	899,939	3,160,518	3,679,338	4,250,614
Y/Y Growth	NA	8%	7%	5%	20%	10%	26%	24%	26%	17%	23%	16%	16%
Y/Y Growth ex-FX	NA	8%	7%	5%	20%	10%	26%	24%	26%	17%	23%	16%	16%
FX impact to Consolidated revenue (% impact)		0%	-1%	-1%									
TTM	2,334,472	2,376,591	2,417,003	2,443,510	2,573,655	2,573,655	2,729,890	2,872,960	3,029,026	3,160,518	3,160,518	3,679,338	4,250,614
Consolidated Third Party and Other	1,879,729	439,108	418,871	394,987	401,688	1,654,654	484,452	483,440	532,045	616,717	2,116,654	2,423,409	2,718,745
Consolidated Direct	454,743	162,294	189,876	200,072	366,759	919,001	273,185	268,377	219,079	283,222	1,043,864	1,255,929	1,531,869
Consolidated Cost of Revenue	718,940	222,393	224,053	235,437	390,239	1,072,122	346,052	335,282	309,420	374,368	1,365,122	1,552,392	1,729,220
Y/Y Growth	NA	86%	66%	30%	38%	49%	56%	50%	31%	-4%	27%	14%	11%
Y/Y Growth ex-FX	NA	86%	66%	30%	38%	49%	56%	50%	31%	-4%	27%	14%	11%
% of Consolidated Revenue	31%	37%	37%	40%	51%	42%	46%	45%	41%	42%	43%	42%	41%
Consolidated Third Party and Other	297,739	70,016	55,507	54,001	52,538	232,062	70,224	95,489	115,043	123,101	403,857	519,962	545,536
Consolidated Direct	421,201	152,377	168,546	181,436	337,701	840,060	275,828	239,793	194,377	251,267	961,265	1,032,430	1,183,685
Consolidated Gross Profit	1,615,532	379,009	384,694	359,622	378,208	1,501,533	411,585	416,536	441,705	525,571	1,795,397	2,126,946	2,521,393
% of Consolidated Gross Billings	30%	27%	27%	27%	24%	26%	23%	23%	24%	25%	24%	26%	28%
% of Consolidated Revenue	69%	63%	63%	60%	49%	58%	54%	55%	59%	58%	57%	58%	59%
Consolidated Third Party and Other	1,581,990	369,092	363,364	340,986	349,150	1,422,592	414,228	387,951	417,002	493,616	1,712,797	1,903,447	2,173,209
Consolidated Direct	33,542	9,917	21,330	18,636	29,058	78,941	-2,643	28,584	24,703	31,955	82,599	223,499	348,184
Operating Expenses	1,411,817	327,856											

Figure 37: HomeAway Income Statement

(\$ in millions except price per share)	2011A	2012A	3/13A	6/13A	9/13A	12/13A	2013A	3/14A	6/14E	9/14E	12/14E	2014E	2015E	2016E
Revenue:														
Subscription Listing	199.5	238.0	65.8	72.4	74.8	75.5	288.5	78.6	83.8	83.7	86.8	332.9	381.1	438.5
Performance Listing	1.4	3.7	1.0	0.9	0.7	2.8	5.4	8.8	7.9	12.3	8.3	37.2	66.4	92.8
Other	30.8	42.4	12.6	13.3	14.7	11.9	52.5	18.4	18.9	19.0	15.5	71.8	89.8	110.4
Total revenue	230.2	280.4	79.5	86.6	90.1	90.3	346.5	105.7	110.6	115.0	110.5	441.9	537.3	641.7
Cost of revenue	29.9	39.0	11.4	11.9	11.5	12.5	47.3	14.1	14.9	14.3	14.9	58.3	70.4	83.4
Gross Profit	200.3	241.4	68.1	74.7	78.6	77.8	299.2	87.9	95.7	100.8	95.6	383.6	466.9	558.3
Costs and expenses:														
Product development	25.8	35.0	10.0	11.2	11.9	12.6	45.6	14.7	15.1	15.4	15.6	60.8	72.0	82.5
Sales and marketing	72.5	83.3	23.8	25.6	25.1	25.8	100.2	32.2	33.3	36.1	35.7	137.2	168.0	205.0
General and administrative	35.4	42.8	12.4	13.1	12.6	18.4	56.6	18.5	18.7	18.2	18.3	73.7	81.0	93.7
Stock Based Compensation	23.9	27.0	7.5	10.1	10.0	10.3	37.9	10.2	15.3	15.3	15.3	56.1	58.4	60.7
Depreciation	8.4	11.1	3.0	3.3	3.5	3.6	13.4	3.8	3.6	3.6	3.6	14.6	14.1	14.9
Amortization expense	11.5	12.4	3.2	3.0	2.7	2.8	11.7	3.3	3.7	3.7	3.7	14.3	15.3	18.4
Total expenses	207.5	250.6	71.3	78.2	77.3	85.8	312.7	96.8	104.6	106.6	107.1	415.1	479.2	558.7
Operating income	22.7	29.8	8.2	8.4	12.8	4.4	33.8	8.9	6.0	8.4	3.4	26.8	58.1	83.1
PF operating income	46.6	56.8	15.6	18.5	22.8	14.7	71.7	19.1	21.3	23.7	18.7	82.9	116.4	143.8
Other income (expense):														
Interest expense	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(4.9)	(5.3)	(5.1)	(15.3)	(23.7)	(25.0)
Interest income	0.4	0.9	0.2	0.3	0.3	0.4	1.2	0.2	0.5	0.5	0.5	1.7	2.0	2.0
Other income (expense)	(4.4)	(2.6)	(1.6)	0.1	(0.5)	(4.0)	(6.0)	(2.5)	0.0	0.0	0.0	(2.5)	(1.5)	(1.5)
Total other income (expense)	(4.0)	(1.7)	(1.3)	0.4	(0.2)	(3.7)	(4.8)	(2.4)	(4.4)	(4.8)	(4.6)	(16.2)	(23.2)	(24.5)
Income (loss) before income taxes	18.7	28.1	6.8	8.8	12.7	0.8	29.0	6.5	1.6	3.6	(1.2)	10.6	34.9	58.6
PF income (loss) before income taxes	42.6	55.2	14.3	18.9	22.7	11.1	66.9	16.8	16.9	18.9	14.1	66.7	93.2	119.3
Income tax (expense) benefit	(12.5)	(13.2)	(1.5)	(3.3)	(4.3)	(2.6)	(11.7)	(2.4)	(0.6)	(1.4)	0.5	(4.0)	(12.6)	(20.5)
Tax Rate	67%	47%	23%	38%	34%	342%	40%	36%	39%	39%	39%	37%	36%	35%
Less: Net loss from noncontrolling interests	0.0	0.0	0.0	0.0	(0.1)	(0.3)	(0.4)	(0.3)						
Net income (loss) - GAAP	6.2	15.0	5.3	5.5	8.5	(1.6)	17.7	4.4	1.0	2.2	(0.7)	6.6	22.3	38.1
Cumulative preferred stock dividends & discount accretion	(24.7)													
Dividend participation by preferred stockholders														
Net loss attributable to common stockholders	(18.5)	15.0	5.3	5.5	8.5	(1.6)	17.7	4.4	1.0	2.2	(0.7)	6.6	22.3	38.1
Basic income (loss) per share	(\$0.31)	\$0.18	\$0.06	\$0.06	\$0.10	(\$0.02)	\$0.21	\$0.05	\$0.01	\$0.02	(\$0.01)	\$0.07	\$0.23	\$0.39
Diluted income (loss) per share	(\$0.31)	\$0.18	\$0.06	\$0.06	\$0.10	(\$0.02)	\$0.20	\$0.05	\$0.01	\$0.02	(\$0.01)	\$0.07	\$0.23	\$0.38
Basic shares outstanding	59.5	82.4	83.9	84.9	85.5	87.1	85.4	92.7	93.2	93.6	94.1	93.4	95.3	97.2
Diluted shares outstanding	59.5	84.9	86.5	87.6	88.2	90.1	88.1	96.3	96.8	97.3	97.7	97.0	99.0	100.9
PF Net Income Reconciliation:														
GAAP Net Income (Loss)	6.2	15.0	5.3	5.5	8.5	(1.6)	17.7	4.4	1.0	2.2	(0.7)	6.6	22.3	38.1
Stock based compensation	23.9	27.0	7.5	10.1	10.0	10.3	37.9	10.2	15.3	15.3	15.3	56.1	58.4	60.7
Amortization expense	11.5	12.4	3.2	3.0	2.7	2.8	11.7	3.3	3.7	3.7	3.7	14.3	15.3	18.4
Tax effect	(10.6)	(11.8)	(3.7)	(4.6)	(4.5)	(4.6)	(17.3)	(4.8)	(6.6)	(6.6)	(6.6)	(24.7)	(25.8)	(27.7)
PF Net Income (loss)	31.0	42.6	12.2	14.0	16.74	6.9	49.897	13.150	13.3	14.5	11.6	52.4	70.2	89.5
PF basic income (loss) per share	\$0.52	\$0.52	\$0.15	\$0.16	\$0.20	\$0.08	\$0.58	\$0.14	\$0.14	\$0.16	\$0.12	\$0.56	\$0.74	\$0.92
PF diluted income (loss) per share	\$0.52	\$0.50	\$0.14	\$0.16	\$0.19	\$0.08	\$0.57	\$0.14	\$0.14	\$0.15	\$0.12	\$0.54	\$0.71	\$0.89
EBITDA Reconciliation:														
Net Income (loss) - GAAP	6.2	15.0	5.3	5.5	8.5	(1.6)	17.7	4.4	1.0	2.2	(0.7)	6.6	22.3	38.1
Depreciation and amortization	20.0	23.5	6.2	6.3	6.2	6.3	25.1	7.0	7.3	7.3	7.3	29.0	29.5	33.3
Stock-based compensation	23.9	27.0	7.5	10.1	10.0	10.3	37.9	10.2	15.3	15.3	15.3	56.1	58.4	60.7
Interest expense	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(4.9)	(5.3)	(5.1)	(15.3)	(23.7)	(25.0)
Interest income	0.4	0.9	0.2	0.3	0.3	0.4	1.2	0.2	0.5	0.5	0.5	1.7	2.0	2.0
Foreign exchange expense (income)	4.6	2.6	1.5	(0.1)	0.4	3.7	5.6	2.2						
Income tax (expense) benefit	(12.5)	(13.2)	(1.5)	(3.3)	(4.3)	(2.6)	(11.7)	(2.4)	(0.6)	(1.4)	0.5	(4.0)	(12.6)	(20.5)
Adjusted EBITDA	66.8	80.3	21.8	24.8	29.0	21.0	96.7	26.2	28.6	31.1	26.0	111.8	144.4	175.6
Y/Y Growth														
Subscription Revenue	30%	19%	22%	20%	22%	21%	21%	19%	16%	12%	15%	15%	14%	15%
Performance Revenue		164%	72%	44%	0%	55%	46%	748%	809%	1643%	193%	586%	79%	40%
Other Revenue	105%	38%	25%	17%	25%	30%	24%	45%	42%	30%	30%	37%	25%	23%
Total Revenue	37%	22%	24%	21%	23%	26%	24%	33%	28%	28%	22%	28%	22%	19%
Cost of revenue	32%	30%	23%	20%	22%	21%	21%	24%	25%	24%	20%	23%	21%	19%
Product development	71%	36%	26%	31%	34%	29%	30%	47%	35%	30%	24%	33%	18%	15%
Sales and marketing	32%	15%	5%	20%	26%	32%	20%	35%	30%	44%	39%	37%	22%	22%
General and administrative	11%	21%	21%	18%	17%	73%	32%	49%	43%	44%	-1%	30%	10%	16%
Total expenses	35%	21%	18%	23%	23%	34%	25%	36%	34%	38%	25%	33%	15%	17%
Operating income	65%	31%	113%	5%	22%	-41%	14%	9%	-28%	-34%	-24%	-21%	117%	43%
PF Operating income	71%	22%	73%	24%	28%	-2%	26%	22%	15%	4%	27%	16%	40%	23%
GAAP Net income	-64%	142%	121%	92%	64%	-134%	18%	-16%	-82%	-74%	-54%	-63%	237%	71%
Diluted income (loss) per share	NA	NA	115%	NA	59%	-132%	14%	-25%	-84%	-76%	-58%	-66%	231%	67%
PF Net income	-7%	37%	66%	47%	38%	-41%	61%	8%	-5%	-13%	69%	611%	639%	639%
PF basic income (loss) per share	37%	-4%	62%	42%	33%	-44%	13%	-3%	-14%	-21%	56%	-5%	31%	25%
EBITDA	54%	20%	56%	19%	20%	-1%	20%	20%	15%	7%	24%	16%	29%	22%
Sequential Growth														
Total revenue			11%	9%	4%	0%		17%	5%	4%	-4%			
% of Revenues														
Cost of revenue	13.0%	13.9%	14.4%	13.8%	12.8%	13.8%	13.7%	13.4%	13.5%	12.4%	13.5%	13.2%	13.1%	13.0%
Product development	11.2%	12.5%	12.6%	12.9%	13.2%	13.9%	13.2%	13.9%	13.6%	13.4%	14.1%	13.8%	13.4%	12.9%
Sales and marketing	31.5%	29.7%	30.0%	29.5%	27.8%	28.5%	28.9%	30.5%	30.1%	31.4%	32.3%	31.1%	31.3%	31.9%
General and administrative	15.4%	15.3%	15.6%	15.1%	14.0%	20.4%	16.3%	17.5%	16.9%	15.9%	16.6%	16.7%	15.1%	14.6%
Deprec. as % of Net PPE	32.6%	33.6%	8.7%	8.9%	9.3%	9.0%	33.7%	9.3%	9.0%	9.0%	9.0%	22.9%	35.0%	37.0%
Amort as % of Goodwill & Intangibles	3.2%	3.3%	0.9%	0.8%	0.7%	0.5%	2.0%	0.5%	0.6%	0.6%	0.6%	2.3%	2.5%	3.0%
Total expenses	90.1%	89.4%	89.7%	90.3%	85.8%	95.1%	90.2%	91.6%	94.6%	92.7%	96.9%	93.9%	89.2%	87.1%
Margins														
Gross margin	87.0%	86.1%	85.6%	86.2%	87.2%	86.2%	86.3%	83.1%	86.5%	87.6%	86.5%	86.8%	86.9%	87.0%
Operating margin	9.9%	10.6%	10.3%	9.7%	14.2%	4.9%	9.8%	8.4%	5.4%	7.3%	3.1%	6.1%	10.8%	12.9%
PF Operating margin	20.2%	20.3%	19.7%	21.4%	25.3%	16.3%	20.7%	18.1%	19.3%	20.6%	16.9%	18.8%	21.7%	22.4%
EBITDA margin	29.0%	28.7%	27.4%	28.7%	32.2%	23.3%	27.9%	24.8%	25.9%	27.0%	23.5%	25.3%	26.9%	27.4%

Source: J.P. Morgan estimates Company data.

Figure 38: HomeAway Revenue Analysis

\$ in millions

	2011A	2012A	3/13A	6/13A	9/13A	12/13A	2013A	3/14A	6/14E	9/14E	12/14E	2014E	2015E	2016E
TOTAL REVENUE	\$230.2	\$280.4	\$79.5	\$86.6	\$90.1	\$90.3	\$346.5	\$105.7	\$110.6	\$115.0	\$110.5	\$441.9	\$537.3	\$641.7
Y/Y growth	37.1%	21.8%	24.0%	20.9%	23.3%	26.1%	23.6%	33.0%	27.7%	27.6%	22.4%	27.5%	21.6%	19.4%
Q/Q growth			11%	9%	4%	0%		17%	5%	4%	-4%			
Subscription Listings EOP (Reported)	603,425	650,000	686,000	706,238	691,785	697,481	697,481	724,699	750,000	735,000	750,000	750,000	812,000	875,000
Y/Y growth	17%	7.7%	4.9%	3.3%	4.8%	7.3%	7.3%	5.6%	6.2%	6.2%	7.5%	7.5%	8.3%	7.8%
Q/Q growth			5.5%	3.0%	-2.0%	0.8%		3.9%	3.5%	-2.0%	2.0%			
% of total	94%	91%	92%	91%	89%	78%	78%	76%	75%	73%	73%	73%	71%	69%
Avg. Rev per Subscrptn Listing (ARPL) (F)	\$353	\$374	\$394	\$416	\$428	\$435	\$428	\$442	\$455	\$451	\$467	\$460	\$488	\$520
Y/Y growth			16.1%	16.7%	18.5%	17.6%	14.6%	12.2%	9.3%	5.4%	7.5%	7.4%	6.1%	6.5%
Q/Q growth			6.5%	5.6%	2.9%	1.6%		1.6%	2.8%	-0.8%	3.6%			
Subscription Revenue (Estimated)	\$198.0	\$234.3	\$65.8	\$72.4	\$74.8	\$75.5	\$288.5	\$78.6	\$83.8	\$83.7	\$86.8	\$332.9	\$381.1	\$438.5
Y/Y growth	30%	18%	23%	21%	23%	25%	23%	19%	16%	12%	15%	15%	14%	15%
Q/Q growth			9%	10%	3%	1%		4%	7%	0%	4%			
% of total	86%	84%	83%	84%	83%	84%	83%	74%	76%	73%	79%	75%	71%	68%
% of annual	100%	100%	23%	25%	26%	26%	100%	24%	25%	25%	26%	100%	100%	100%
Performance Listings EOP (Reported)	37,500	61,631	56,299	68,994	81,567	192,394	192,394	227,144	255,000	270,000	280,000	280,000	335,000	400,000
Y/Y growth	275.0%	64.3%	25.1%	32.7%	35.9%	212.2%	212.2%	303.5%	269.6%	231.0%	45.5%	45.5%	19.6%	19.4%
Q/Q growth			-8.7%	22.5%	18.2%	135.9%		18.1%	12.3%	5.9%	3.7%			
% of total	5.9%	8.7%	7.6%	8.9%	10.5%	21.6%	21.6%	23.9%	25.4%	26.9%	27.2%	27.2%	29.2%	31.4%
Weeks in period	53	53	13	13	13	13	52	13	13	13	13	52	52	52
Room Weeks per Performance Listing	0.55	0.62	0.13	0.12	0.07	0.15	0.31	0.33	0.31	0.34	0.23	1.26	1.50	1.70
Average Weekly Rate	\$1,194	\$1,349	\$1,508	\$1,256	\$1,675	\$1,591	\$1,508	\$1,395	\$1,163	\$1,550	\$1,450	\$1,389	\$1,600	\$1,650
Implied Performance Bookings	\$16	\$41	\$11	\$9	\$9	\$33	\$62	\$97	\$88	\$136	\$92	\$413	\$738	\$1,031
Avg. Take-Rate for HomeAway	9%	9%	9%	9%	9%	9%	9%	9%	9%	9%	9%	9%	9%	9%
Performance Revenue (Estimated)	\$1.4	\$3.7	\$1.0	\$0.9	\$0.7	\$2.8	\$5.4	\$8.8	\$7.9	\$12.3	\$8.3	\$37.2	\$66.4	\$92.8
Y/Y growth	333%	164%	72%	44%	0%	55%	46%	748%	809%	1643%	193%	586%	79%	40%
Q/Q growth			-43.0%	-16.0%	-18.9%	300.1%		211.0%	-9.9%	55.5%	-32.7%			
% of total	1%	2%	2%	1%	1%	4%	2%	10%	9%	13%	9%	10%	15%	17%
% of annual	100%	100%	19%	16%	13%	52%	100%	24%	21%	33%	22%	100%	100%	100%
Total Paid Listings EOP	640,925	711,631	742,299	775,232	773,352	889,875	889,875	951,843	1,005,000	1,005,000	1,030,000	1,030,000	1,147,000	1,275,000
Y/Y growth	21.5%	11.0%	6.2%	5.3%	7.4%	25.0%	25.0%	28.2%	29.6%	30.0%	15.7%	15.7%	11.4%	11.2%
Q/Q growth			4.3%	4.4%	-0.2%	15.1%		7.0%	5.6%	0.0%	2.5%			
Average Revenue per Listing (annualized)	\$341	\$352	\$368	\$386	\$390	\$377	\$367	\$379	\$375	\$382	\$374	\$385	\$411	\$439
Y/Y growth	7%	3.1%	14.1%	15.0%	15.6%	8.1%	4.3%	3.2%	-3.0%	-2.0%	-0.9%	5.0%	6.6%	6.7%
Q/Q growth			6%	5%	1%	-3%		1%	-1%	2%	-2%			
Total Listing Revenue	\$199.5	\$238.0	\$66.8	\$73.3	\$75.5	\$78.4	\$294.0	\$87.3	\$91.7	\$96.0	\$95.0	\$370.0	\$447.5	\$531.3
Y/Y growth	30%	19%	24%	22%	23%	26%	24%	31%	25%	27%	21%	26%	21%	19%
Q/Q growth			7%	10%	3%	4%		11%	5%	5%	-1%			
Total Listing Revenue ex FX	195.3	244.8	66.5	72.4	75.3	82.0	296.2	86.0	91.7	96.0	95.0	370.0	447.5	531.3
Y/Y growth ex FX	28%	23%	23%	20%	23%	32%	24%	29%	25%	27%	21%			
Other Revenue	30.8	42.4	12.6	13.3	14.7	11.9	52.5	18.4	18.9	19.0	15.5	71.8	89.8	110.4
Y/Y growth	105%	38%	25%	17%	25%	30%	24%	45%	42%	30%	30%	37%	25%	23%
Q/Q growth			38%	6%	10%	-19%		54%	3%	1%	-19%			
% of total	13%	15%	16%	15%	16%	13%	15%	17%	17%	17%	14%	16%	17%	17%

Source: J.P. Morgan estimates Company data.

Figure 39: Zynga Income Statement

(\$ in millions except per-share data)	2012A	3/13A	6/13A	9/13A	12/13A	2013A	3/14A	6/14E	9/14E	12/14E	2014E	2015E	2016E
Mobile Bookings	222.1	50.1	50.6	46.4	51.0	198.2	58.1	80.3	101.0	148.4	387.8	559.5	667.6
Desktop Bookings	925.5	179.7	136.9	105.7	95.7	518.0	103.3	107.7	94.0	72.2	377.2	290.5	232.4
Bookings	1,147.6	229.8	187.6	152.1	146.7	716.2	161.4	188.0	195.0	220.6	765.0	850.0	900.0
Minus: Change in Deferred Revenue	(133.6)	(33.8)	(43.2)	(50.5)	(29.7)	(157.1)	(6.7)	30.5	-	-	23.8	-	-
= Revenue	1,281.3	263.6	230.7	202.6	176.4	873.3	168.0	157.5	195.0	220.6	741.2	850.0	900.0
Cost of revenue	340.1	67.5	62.7	59.7	58.1	247.9	52.2	59.0	64.3	74.1	249.7	272.0	288.0
Gross Profit	941.2	196.1	168.0	142.9	118.3	625.4	115.8	98.5	130.7	146.5	491.5	578.0	612.0
Operating Expenses													
Research and development	445.0	108.3	108.4	70.9	63.5	351.1	79.2	65.0	62.0	59.4	265.6	231.2	220.4
Sales and marketing	157.2	25.9	27.2	18.2	25.0	96.3	28.4	28.0	35.0	38.3	129.7	160.0	190.0
General and administrative	144.5	37.0	36.9	37.2	38.0	149.0	50.2	38.0	37.0	38.0	163.2	129.2	121.8
Stock-based compensation	282.0	29.9	25.9	9.3	19.3	84.4	28.3	30.7	26.4	24.9	110.3	111.9	115.4
Impairment of intangible asset	95.5	-	-	10.2	-	10.2	-	-	-	-	-	-	-
Total operating expenses	1,124.2	201.1	198.4	145.8	145.8	691.0	186.1	161.7	160.4	160.6	668.7	632.3	647.6
Operating income	(183.0)	(4.9)	(30.4)	(2.9)	(27.5)	(65.6)	(70.3)	(63.2)	(29.7)	(14.1)	(177.2)	(54.3)	(35.6)
PF Operating income	99.0	25.0	(4.5)	6.4	(8.1)	18.8	(41.9)	(32.5)	(3.3)	10.8	(66.9)	57.6	79.8
Interest income	4.7	1.2	1.1	1.0	0.9	4.1	0.9	1.1	1.1	1.1	4.2	4.4	4.4
Other income (expenses), net	18.6	(0.9)	(4.5)	0.9	1.1	(3.4)	1.1	1.0	1.0	1.0	4.1	4.0	4.0
Income (loss) before income taxes	(159.6)	(4.6)	(33.8)	(1.0)	(25.5)	(64.9)	(68.3)	(61.1)	(27.6)	(12.0)	(168.9)	(45.9)	(27.2)
Provision for income taxes	(49.9)	8.8	18.0	0.9	0.2	27.9	7.1	0.9	0.4	0.2	8.6	0.7	0.4
Tax rate (GAAP)	-31.3%	189.2%	53.2%	92.9%	0.9%	43.0%	10.4%	1.4%	1.5%	1.5%	5.1%	1.5%	1.5%
Net income (loss)	(209.4)	4.1	(15.8)	(0.1)	(25.2)	(37.0)	(61.2)	(60.2)	(27.2)	(11.8)	(160.4)	(45.2)	(26.8)
Deemed dividend to a Series B-2 convertible preferred stockholder	-	-	-	-	-	-	-	-	-	-	-	-	-
Net income attributable to participating securities	-	-	-	-	-	-	-	-	-	-	-	-	-
GAAP Net income (loss) attributable to common stockholders	(209.4)	4.1	(15.8)	(0.1)	(25.2)	(37.0)	(61.2)	(60.2)	(27.2)	(11.8)	(160.4)	(45.2)	(26.8)
Basic GAAP income (loss) per share	(0.27)	0.01	(0.02)	(0.00)	(0.03)	(0.05)	(0.07)	(0.07)	(0.03)	(0.01)	(0.18)	(0.05)	(0.03)
Diluted GAAP income (loss) per share	(0.25)	0.00	(0.02)	(0.00)	(0.03)	(0.05)	(0.07)	(0.07)	(0.03)	(0.01)	(0.18)	(0.05)	(0.03)
Basic shares outstanding	771.5	779.9	793.5	804.1	820.4	799.5	850.1	878.2	895.8	913.7	884.5	902.1	920.2
Diluted shares outstanding	830.0	827.5	793.5	804.1	820.4	811.4	850.1	878.2	895.8	913.7	884.5	902.1	920.2
PF Net Income (loss) attributable to common stockholders	108.1	9.10	(6.1)	(16.2)	(20.8)	(62.0)	(6.3)	4.6	1.7	10.1	10.1	57.0	73.6
Basic PF income (loss) per share	0.14	0.01	(0.01)	(0.02)	(0.03)	(0.08)	(0.01)	0.01	0.00	0.01	0.01	0.06	0.08
Diluted PF income (loss) per share	0.13	0.01	(0.01)	(0.02)	(0.02)	(0.08)	(0.01)	0.00	0.00	0.01	0.01	0.06	0.08
Reconciliation of Net Income (Loss) to Adjusted EBITDA:													
Net income (loss)	(209.4)	4.1	(15.8)	(0.1)	(25.2)	(37.0)	(61.2)	(60.2)	(27.2)	(11.8)	(160.4)	(45.2)	(26.8)
Provision for income taxes	49.9	(8.8)	(18.0)	(0.9)	(0.2)	(27.9)	(7.1)	(0.9)	(0.4)	(0.2)	(8.6)	(0.7)	(0.4)
Other income (expense), net	(18.6)	0.9	4.5	(0.9)	(1.1)	3.4	(1.1)	(1.0)	(1.0)	(1.0)	(4.1)	(4.0)	(4.0)
Interest income	(4.7)	(1.2)	(1.1)	(1.0)	(0.9)	(4.1)	(0.9)	(1.1)	(1.1)	(1.1)	(4.2)	(4.4)	(4.4)
Gain (loss) from legal settlements	106.4	5.5	25.1	17.0	7.4	54.9	29.7	0.5	-	-	30.2	-	-
Depreciation and amortization	141.5	32.1	30.9	34.0	32.1	129.0	25.3	21.3	27.3	26.5	100.4	85.9	88.2
Stock-based compensation	282.0	29.9	25.9	9.3	19.3	84.4	28.3	30.7	26.4	24.9	110.3	111.9	115.4
Acquisition-related contingent compensation	-	-	-	-	0.9	0.9	7.4	-	-	-	7.4	-	-
Change in deferred revenue	(133.6)	(33.8)	(43.2)	(50.5)	(29.7)	(157.1)	(6.7)	30.5	-	-	23.8	-	-
Adjusted EBITDA	213.2	28.7	8.3	6.9	2.6	46.5	13.8	19.8	24.0	37.3	94.9	143.5	168.0
Reconciliation of Revenue to Bookings													
Revenue	1,281.3	263.6	230.7	202.6	176.4	873.3	168.0	157.5	195.0	220.6	741.2	850.0	900.0
Change in deferred revenue	(133.6)	(33.8)	(43.2)	(50.5)	(29.7)	(157.1)	(6.7)	30.5	-	-	23.8	-	-
Bookings	1,147.6	229.8	187.6	152.1	146.7	716.2	161.4	188.0	195.0	220.6	765.0	850.0	900.0
Y/Y Growth													
Bookings	-0.7%	-30.2%	-37.8%	-40.5%	-43.9%	-37.6%	-29.8%	0.2%	28.2%	50.4%	6.8%	11.1%	5.9%
Organic Bookings (incl FB Credits in prior periods)													
Online Game Revenue	7.4%	-21.6%	-30.3%	-38.9%	-44.5%	-33.6%	-42.4%	-40.6%	-12.9%	7.0%	-25.2%	6.4%	1.2%
Advertising Revenue	84.0%	20.7%	-33.1%	-9.1%	-34.7%	-17.0%	5.1%	33.7%	52.7%	139.5%	52.2%	41.8%	17.3%
Revenue	12.4%	-17.9%	-30.6%	-36.0%	-43.3%	-31.8%	-36.3%	-31.7%	-3.7%	25.1%	-15.1%	14.7%	5.9%
Cost of revenue	8.8%	-19.0%	-31.6%	-33.0%	-23.6%	-27.1%	-22.6%	-5.9%	7.8%	27.7%	0.7%	9.0%	5.9%
Research and development	26.4%	-0.4%	2.2%	-37.7%	-45.5%	-21.1%	-26.9%	-41.0%	-8.0%	3.0%	-24.4%	-4.0%	0.0%
Sales and marketing	2.8%	-41.0%	-38.0%	-55.1%	-13.5%	-38.7%	9.7%	3.0%	92.0%	53.1%	34.6%	23.4%	18.8%
General and administrative	12.7%	0.6%	8.7%	1.9%	1.9%	3.1%	35.7%	0.5%	0.0%	8.0%	9.5%	-3.0%	3.0%
Stock-based compensation	-53.0%	-77.6%	-72.9%	-75.5%	30.0%	-70.1%	-5.3%	15.9%	200.0%	40.0%	30.7%	3.0%	3.0%
Total operating expenses	-8.9%	-37.8%	-29.0%	-55.0%	-26.2%	-38.5%	-7.5%	-18.5%	10.0%	10.2%	-3.2%	-5.4%	2.4%
Operating income	-54.9%	-94.2%	-21.0%	-97.0%	-173.1%	-64.1%	1324.2%	108.0%	941.9%	-48.7%	170.1%	-69.4%	-34.4%
PF Operating income	-49.1%	-48.2%	-107.9%	-82.6%	-115.5%	-81.1%	-267.8%	625.4%	-151.5%	-232.7%	-456.7%	-186.1%	38.5%
GAAP Net income (loss) attributable to common stockholders	-50.1%	-104.8%	-30.7%	-99.9%	-48.0%	-82.3%	-1580.4%	280.7%	39917.6%	-53.2%	333.7%	-71.8%	-40.7%
PF Net Income (loss) attributable to common stockholders	-40.8%	-80.6%	-234.6%	4391.7%	-400.4%	-157.3%	-168.7%	-174.4%	-110.4%	-148.7%	-116.4%	462.6%	29.2%
Diluted GAAP income (loss) per share	-54.2%	-104.9%	-27.4%	-99.9%	-51.1%	-81.9%	-1541.0%	244.0%	35823.7%	-57.9%	297.9%	-72.4%	-41.8%
Diluted PF income (loss) per share	-45.6%	-80.2%	-241.1%	4116.5%	-383.5%	-158.7%	-166.9%	-163.5%	-108.8%	-143.9%	-114.3%	449.8%	26.8%
Adjusted EBITDA	-29.7%	-66.9%	-87.3%	-57.3%	-94.2%	-78.2%	-51.8%	137.8%	247.8%	1332.6%	103.9%	51.2%	17.1%
% of Bookings													
Cost of revenue	29.6%	29.4%	33.4%	39.2%	39.6%	34.6%	32.4%	31.4%	33.0%	33.6%	32.6%	32.0%	32.0%
Research and development	38.8%	47.1%	57.8%	46.6%	43.3%	49.0%	49.1%	34.6%	31.8%	26.9%	34.7%	27.2%	24.5%
Sales and marketing	13.7%	11.3%	14.5%	12.0%	17.1%	13.4%	17.6%	17.0%	15.0%	15.0%	17.0%	15.0%	14.5%
General and administrative	12.6%	16.1%	19.7%	24.4%	25.9%	20.8%	31.1%	20.2%	19.0%	17.2%	21.3%	15.2%	13.5%
Stock-based compensation	24.6%	13.0%	13.8%	6.1%	13.2%	11.8%	17.6%	16.3%	13.6%	11.3%	14.4%	13.2%	12.8%
Total operating expenses	98.0%	87.5%	105.8%	95.8%	99.4%	96.5%	115.3%	86.0%	82.3%	72.8%	87.4%	74.4%	72.0%
Margins													
Gross Profit	82.0%	85.3%	89.6%	94.0%	80.7%	87.3%	71.8%	52.4%	67.0%	66.4%	64.2%	68.0%	68.0%
Operating income	-15.9%	-2.1%	-16.2%	-1.9%	-18.7%	-9.2%	-43.5%	-33.6%	-15.2%	-6.4%	-23.2%	-6.4%	-4.0%
PF Operating income	8.6%	10.9%	-2.4%	4.2%	-5.6%	2.6%	-26.0%	-17.3%	-1.7%	4.9%	-8.7%	6.8%	8.9%
GAAP Net income (loss) attributable to common stockholders	-18.3%	1.8%	-8.4%	0.0%	-17.2%	-5.2%	-37.9%	-32.0%	-14.0%	-5.4%	-21.0%	-5.3%	-3.0%
PF Net Income (loss) attributable to common stockholders	9.4%	4.0%	-3.3%	-10.7%	-14.2%	-8.7%	-3.9%	2.4%	0.9%	4.6%	1.3%	6.7%	8.2%
Adjusted EBITDA	18.6%	12.5%	4.4%	4.5%	1.8%	6.5%	8.6%	10.5%	12.3%	16.9%	12.4%	16.9%	18.7%

Source: J.P. Morgan estimates Company data.

Figure 40: Zynga Revenue Drivers

\$ in millions	2012A	2013	3/14A	6/14E	9/14E	12/14E	2014E	2015E	2016E
Mobile Bookings (estimates)	\$222.1	\$198.2	\$58.1	\$80.3	\$101.0	\$148.4	\$387.8	\$559.5	\$667.6
Y/Y Change (%)	304%	-11%	16%	58%	118%	191%	96%	44%	19%
Q/Q Change (%)			14%	38%	26%	47%			
% of Total	19%	28%	36%	43%	52%	67%	51%	66%	74%
Web Bookings (estimates)	\$925.5	\$518.0	\$103.3	\$107.7	\$94.0	\$72.2	\$377.2	\$290.5	\$232.4
Y/Y Change (%)	238%	-44%	-43%	-21%	-11%	-24%	-27%	-23%	-20%
Q/Q Change (%)			8%	4%	-13%	-23%			
% of Total	81%	72%	64%	57%	48%	33%	49%	34%	26%
Total Bookings	\$1,147.6	\$716.2	\$161.4	\$188.0	\$195.0	\$220.6	\$765.0	\$850.0	\$900.0
Y/Y Change (%)	-1%	-38%	-30%	0%	28%	50%	7%	11%	6%
Q/Q Change (%)			10%	17%	4%	13%			
Mobile DAUs	11.4	15.2	16.0	18.6	23.5	34.8	23.2	30.1	33.0
Y/Y Change (%)	-	33%	-10%	16%	68%	167%	53%	30%	10%
Q/Q Change (%)			23%	16%	26%	48%			
DAUs as a % of MAUs		28%	26%	26%	26%	26%	26%	26%	26%
Desktop DAUs	52.0	21.8	12.0	12.0	10.6	8.2	10.7	8.3	6.6
Y/Y Change (%)	-9%	-58%	-65%	-48%	-33%	-42%	-51%	-22%	-20%
Q/Q Change (%)			-14%	0%	-11%	-23%			
DAUs as a % of MAUs	19%	19%	20%	20%	20%	20%	20%	20%	20%
Total DAUs	63.4	36.9	28.5	30.6	34.1	42.9	33.9	38.4	39.6
Y/Y Change (%)	11%	-42%	-45%	-22%	14%	62%	-8%	13%	3%
Q/Q Change (%)			7%	7%	12%	26%			
DAUs as a % of MAUs		22%	23%	23%	24%	25%	24%	24%	25%
Mobile ABPU (average bookings per DAU)	\$0.053	\$0.036	\$0.040	\$0.047	\$0.047	\$0.046	\$0.046	\$0.051	\$0.055
Y/Y Change (%)		-33%	28%	36%	30%	9%	28%	26%	17%
Q/Q Change (%)		-16%	-5%	18%	-1%	-1%	-1%	7%	18%
Mobile ABPU as % of Blended		67%	64%	70%	75%	83%	74%	84%	89%
Desktop ABPU	\$0.049	\$0.065	\$0.096	\$0.099	\$0.096	\$0.096	\$0.097	\$0.096	\$0.096
Y/Y Change (%)		34%	64%	51%	34%	29%	49%	0%	-3%
Q/Q Change (%)		34%	29%	4%	-3%	0%	49%	-1%	0%
Desktop ABPU as % of Blended		122%	152%	146%	155%	172%	156%	158%	155%
Blended ABPU	\$0.049	\$0.053	\$0.063	\$0.068	\$0.062	\$0.056	\$0.062	\$0.061	\$0.062
Y/Y Change (%)		8%	28%	28%	13%	-7%	16%	-4%	-8%
Q/Q Change (%)		8%	5%	7%	-8%	-10%	16%	-2%	2%
Mobile MAUs	34.0	53.6	62.0	71.5	90.4	133.7	89.4	115.8	126.9
Y/Y Change (%)	165%	58%	-2%	26%	77%	211%	67%	30%	10%
Q/Q Change (%)			44%	15%	26%	48%			
% of total MAU		31%	50%	54%	63%	77%	62%	74%	79%
Desktop MAUs	267.8	117.4	61.0	59.8	53.2	40.9	53.7	41.4	33.1
Y/Y Change (%)	22%	-56%	-68%	-54%	-35%	-41%	-54%	-23%	-20%
Q/Q Change (%)			-12%	-2%	-11%	-23%			
% of total MAU	89%	69%	50%	46%	37%	23%	38%	26%	21%
Total MAUs	301.8	171.0	123.0	131.3	143.6	174.6	143.1	157.3	159.9
Y/Y Change (%)	30%	-43%	-51%	-30%	8%	56%	-16%	10%	2%
Q/Q Change (%)			10%	7%	17%	33%			
Average MUUs		112.5	86.0	90.6	98.4	117.9	98.2	105.6	106.6
Y/Y Change (%)			-43%	-26%	1%	47%		7%	1%
Q/Q Change (%)			8%	5%	14%	30%			
MAUs/MUUs		1.52	1.43	1.45	1.46	1.48	1.46	1.49	1.50
Y/Y Change (%)			-15%	-5%	6%	6%		2%	1%
Q/Q Change (%)			2%	1%	2%	2%			
DAUs as a % of MAUs		22%	23%	23%	24%	25%	24%	24%	25%
Average MUPs	3.4	1.8	1.4	1.5	1.6	2.0	1.6	1.9	2.2
Y/Y Change (%)		-46%	-44%	-21%	2%	48%	-11%	17%	18%
Q/Q Change (%)			5%	7%	9%	21%			
% of MUUs		1.63%	1.63%	1.65%	1.66%	1.67%	1.65%	1.80%	2.10%
= Total Revenue	\$1,281.3	\$873.3	\$168.0	\$157.5	\$195.0	\$220.6	\$741.2	\$850.0	\$900.0
Y/Y Change (%)	12%	-32%	-36%	-32%	-4%	25%	-15%	15%	6%
Q/Q Change (%)			-5%	-6%	24%	13%			
Advertising Revenue	\$137.0	\$113.7	\$35.8	\$36.6	\$43.1	\$57.6	\$173.1	\$245.4	\$287.9
Y/Y Change (%)	84%	-17%	5%	34%	53%	139%	52%	42%	17%
Q/Q Change (%)			49%	2%	18%	34%			
MAU Advertising ARPU/mo			\$0.10	\$0.09	\$0.10	\$0.11	\$0.10	\$0.13	\$0.15
% of Total Bookings	12%	16%	22%	19%	22%	26%	23%	29%	32%
Average DAUs	63.4	36.9	28.5	30.6	34.1	42.9	33.9	38.4	39.6
Y/Y Change (%)	11%	-42%	-45%	-22%	14%	62%	-8%	35%	30%
Ad Revenue per DAU	\$0.006	\$0.008	\$0.014	\$0.013	\$0.01	\$0.015	\$0.014	\$0.018	\$0.020
Y/Y Change (%)	-19%	-16%	92%	71%	34%	48%	-6%	25%	14%

Source: J.P. Morgan estimates Company data.

Figure 41: Criteo Income Statement (in 000s of Euros)

	2012A	3/13A	6/13A	9/13A	12/13A	2013A	3/14A	6/14E	9/14E	12/14E	2014E	2015E	2016E
Gross Revenue	271,855	94,860	99,400	113,811	135,889	443,960	152,520	159,597	173,282	194,203	679,603	947,125	1,191,750
Traffic Acquisition Cost	157,707	57,553	59,369	66,996	81,034	264,952	89,787	96,666	105,363	117,998	409,814	582,956	735,012
Revenue ex-TAC	114,148	37,307	40,031	46,815	54,855	179,008	62,733	62,931	67,920	76,205	269,789	364,170	456,738
Cost of Revenue	12,662	5,172	5,708	4,742	6,334	21,956	7,446	7,022	7,971	8,739	31,178	39,779	47,670
Gross Profit	101,486	32,134	34,324	42,073	48,521	157,052	55,287	55,908	59,949	67,466	238,610	324,390	409,068
Operating Expenses													
Research and Development	13,857	5,971	6,664	8,099	9,392	30,126	9,422	10,698	12,905	12,955	45,980	58,267	71,708
Sales and Operations	56,247	16,697	22,560	19,744	21,014	80,015	25,352	32,409	32,262	30,482	120,505	156,593	182,695
General and Administrative	18,881	6,891	6,974	6,682	8,814	29,361	11,035	10,069	11,546	12,193	44,843	54,625	60,289
SBC	3,556	1,525	1,190	1,829	2,332	6,876	3,256	1,888	2,038	2,286	9,468	10,925	13,702
Total Operating Expenses	92,541	31,084	37,388	36,354	41,552	146,378	49,065	55,064	58,751	57,916	220,796	280,411	328,395
Operating Income	8,945	1,050	(3,064)	5,719	6,969	10,674	6,222	844	1,198	9,550	17,814	43,980	80,673
PF Operating Income	12,501	2,575	(1,874)	7,548	9,301	17,550	9,478	2,732	3,236	11,836	27,282	54,905	94,376
Financial Income (Expense)	(1,559)	398	(2,791)	(1,054)	(3,269)	(2,500)	805	(750)	(750)	(750)	(3,000)	(3,600)	(4,320)
Pre-Tax Income	7,386	1,448	(5,855)	4,665	3,700	8,174	7,027	94	448	8,800	14,814	40,380	76,353
Provision for Income Taxes	(6,556)	(590)	236	(1,627)	(432)	(2,413)	(3,205)	(31)	(148)	(2,904)	(6,288)	(8,480)	(20,997)
Tax Rate	89%	41%	4%	35%	12%	30%	46%	33%	33%	33%	42%	21%	28%
Net Income	830	858	(5,619)	3,038	3,268	5,761	3,822	63	300	5,896	8,526	31,900	55,356
GAAP EPS	€0.02	€0.02	-€0.11	€0.06	€0.06	€0.12	€0.06	€0.00	€0.00	€0.09	€0.13	€0.45	€0.76
Basic Shares	45,143	46,046	47,142	47,164	48,692	47,261	57,069	57,640	58,216	58,798	57,931	60,562	62,379
Diluted Shares	48,587	49,558	51,674	52,081	55,262	52,144	63,658	65,424	67,190	68,956	66,307	71,025	73,156
PF Net Income	4,386	2,383	(4,429)	5,969	7,138	11,061	7,631	1,951	2,338	8,182	17,994	42,825	69,058
PF EPS	€0.09	€0.05	-€0.09	€0.11	€0.13	€0.21	€0.12	€0.03	€0.03	€0.12	€0.27	€0.60	€0.94
Diluted Shares	48,587	49,558	51,674	52,081	55,262	52,144	63,658	65,424	67,190	68,956	66,307	71,025	73,156
EBITDA Calc													
Operating Income	8,945	1,050	(3,064)	5,719	6,969	10,674	6,222	844	1,198	9,550	17,814	43,980	80,673
SBC	3,556	1,525	1,190	1,829	2,332	6,876	3,256	1,888	2,038	2,286	9,468	10,925	13,702
Depreciation and Amortization	4,768	1,890	2,479	2,851	3,899	11,119	4,507	5,683	6,211	6,745	23,146	39,330	49,328
Other	110	91	80	1,169	1,304	2,644	520	-	-	-	520	572	629
Adjusted EBITDA	17,379	4,556	685	11,568	14,504	31,313	14,505	8,415	9,447	18,581	50,948	94,807	144,333
YY Growth													
Gross Revenue	89.4%	67.9%	75.5%	57.8%	57.0%	63.3%	60.8%	60.6%	52.3%	42.9%	53.1%	39.4%	25.8%
Traffic Acquisition Cost	99.5%	80.7%	86.7%	56.4%	58.1%	68.0%	56.0%	62.8%	57.3%	45.6%	54.7%	42.2%	26.1%
Revenue ex-TAC	77.0%	51.4%	61.1%	59.7%	55.3%	56.8%	68.2%	57.2%	45.1%	38.9%	50.7%	35.0%	25.4%
Cost of Revenue	122.5%	138.2%	128.9%	50.5%	30.7%	73.4%	44.0%	23.0%	68.1%	38.0%	42.0%	27.6%	19.8%
Gross Profit	72.6%	43.0%	53.5%	60.8%	59.2%	54.8%	72.0%	62.9%	42.5%	39.0%	51.9%	35.9%	26.1%
Research and Development	61.0%	122.9%	86.8%	129.0%	130.5%	117.4%	57.8%	60.5%	59.3%	37.9%	52.6%	26.7%	23.1%
Sales and Operations	87.9%	50.6%	58.3%	41.0%	24.3%	42.3%	51.8%	43.7%	63.4%	45.1%	50.6%	29.9%	16.7%
General and Administrative	110.0%	147.7%	84.7%	19.5%	30.9%	55.5%	60.1%	44.4%	72.8%	38.3%	52.7%	21.8%	10.4%
SBC	154.9%	571.8%	9.8%	109.5%	70.0%	93.4%	113.5%	58.6%	11.4%	-2.0%	37.7%	15.4%	25.4%
Total Operating Expenses	89.1%	85.3%	64.9%	51.4%	42.9%	58.2%	57.8%	47.3%	61.6%	39.4%	50.8%	27.0%	17.1%
Operating Income	-9.5%	-81.6%	NA	165.1%	396.4%	19.3%	492.3%	NA	-79.0%	37.0%	66.9%	146.9%	83.4%
PF Operating Income	10.8%	-56.5%	-344.1%	149.1%	235.1%	40.4%	268.0%	NA	-57.1%	27.3%	55.5%	101.2%	71.9%
Financial Income (Expense)	-348.2%	-6.8%	2484.3%	356.3%	98.5%	60.4%	102.3%	NA	-28.8%	-77.1%	20.0%	20.0%	20.0%
Net Income	-86.4%	-80.6%	1126.9%	90.4%	-169.0%	594.1%	345.2%	NA	-90.1%	80.4%	NA	274.1%	73.5%
GAAP EPS	-86.7%	-81.0%	NA	74.1%	NA	613.6%	246.6%	NA	-92.3%	44.6%	NA	249.3%	68.5%
PF Net Income	-41.7%	-48.8%	-807.6%	141.8%	-312.3%	152.2%	220.2%	-144.0%	-60.8%	14.6%	62.7%	138.0%	61.3%
PF EPS	-42.9%	-49.8%	-751.6%	121.2%	-286.7%	135.0%	149.3%	-134.8%	-69.6%	-8.1%	27.9%	122.2%	56.6%
Adjusted EBITDA	25.2%	-33.9%	-59.0%	163.7%	227.5%	80.2%	218.3%	1129.2%	-18.3%	28.1%	62.7%	86.1%	52.2%
TAC/Cost of Revenue (as % of Gross Revenue)													
Traffic Acquisition Cost	58.0%	60.7%	59.7%	58.9%	59.6%	59.7%	58.9%	60.6%	60.8%	60.8%	60.3%	61.6%	61.7%
Other Cost of Revenue	4.7%	5.5%	5.7%	4.2%	4.7%	4.9%	4.9%	4.4%	4.6%	4.5%	4.6%	4.2%	4.0%
Margins (On Revenue ex-TAC)													
Gross Profit	88.9%	86.1%	85.7%	89.9%	88.5%	87.7%	88.1%	88.8%	88.3%	88.5%	88.4%	89.1%	89.6%
Research and Development	12.1%	16.0%	16.6%	17.3%	17.1%	16.8%	15.0%	17.0%	19.0%	17.0%	17.0%	16.0%	15.7%
Sales and Operations	49.3%	44.8%	56.4%	42.2%	38.3%	44.7%	40.4%	51.5%	47.5%	40.0%	44.7%	43.0%	40.0%
General and Administrative	16.5%	18.5%	17.4%	14.3%	16.1%	16.4%	17.6%	16.0%	17.0%	16.0%	16.6%	15.0%	13.2%
SBC	3.1%	4.1%	3.0%	3.9%	4.3%	3.8%	5.2%	3.0%	3.0%	3.0%	3.5%	3.0%	3.0%
Total Operating Expenses	81.1%	83.3%	93.4%	77.7%	75.7%	81.8%	78.2%	87.5%	86.5%	76.0%	81.8%	77.0%	71.9%
Operating Income	7.8%	2.8%	-7.7%	12.2%	12.7%	6.0%	9.9%	1.3%	1.8%	12.5%	6.6%	12.1%	17.7%
PF Operating Income	11.0%	6.9%	-4.7%	16.1%	17.0%	9.8%	15.1%	4.3%	4.8%	15.5%	10.1%	15.1%	20.7%
Net Income	0.7%	2.3%	-14.0%	6.5%	6.0%	3.2%	6.1%	0.1%	0.4%	7.7%	3.2%	8.8%	12.1%
GAAP EPS	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
PF Net Income	3.8%	6.4%	-11.1%	12.8%	13.0%	6.2%	12.2%	3.1%	3.4%	10.7%	6.7%	11.8%	15.1%
PF EPS	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
D&A	4.2%	5.1%	6.2%	6.1%	7.1%	6.2%	7.2%	9.0%	9.1%	8.9%	8.6%	10.8%	10.8%
Adjusted EBITDA	15.2%	12.2%	1.7%	24.7%	26.4%	17.5%	23.1%	13.4%	13.9%	24.4%	18.9%	26.0%	31.6%
Margins (On Gross Revenue)													
Gross Profit	37.3%	33.9%	34.5%	37.0%	35.7%	35.4%	36.2%	35.0%	34.6%	34.7%	35.1%	34.3%	34.3%
Research and Development	5.1%	6.3%	6.7%	7.1%	6.9%	6.8%	6.2%	6.7%	7.4%	6.7%	6.8%	6.2%	6.0%
Sales and Operations	20.7%	17.6%	22.7%	17.3%	15.5%	18.0%	16.6%	20.3%	18.6%	15.7%	17.7%	16.5%	15.3%
General and Administrative	6.9%	7.3%	7.0%	5.9%	6.5%	6.6%	7.2%	6.3%	6.7%	6.3%	6.6%	5.8%	5.1%
Adjusted EBITDA	6.4%	4.8%	0.7%	10.2%	10.7%	7.1%	9.5%	5.3%	5.5%	9.6%	7.5%	10.0%	12.1%

Source: J.P. Morgan estimates Company data.

Figure 42: Criteo Revenue Drivers (in 000s of Euros)

	2012A	3/13A	6/13A	9/13A	12/13A	2013A	3/14A	6/14E	9/14E	12/14E	2014E	2015E	2016E
Trailing 12-month Clients	3,379	3,811	4,274	4,631	5,072	5,072	5,567	6,068	6,523	7,188	7,188	9,704	11,936
Y/Y Growth	97%	88%	75%	62%	50%	50%	46%	42%	41%	42%	42%	35%	23%
Q/Q Growth		13%	12%	8%	10%		10%	9%	8%	10%			
TTM Net Client Adds	1,667	432	463	357	441	1,693	495	501	455	665	2,116	2,516	2,232
Y/Y Growth	65%	38%	10%	-15%	-14%	2%	15%	8%	27%	51%	25%	19%	-11%
Q/Q Growth		-16%	7%	-23%	24%		12%	1%	-9%	46%			
Live Advertiser	2,282	3,199	3,590	3,890	4,260	3,735	4,676	5,097	5,479	6,038	5,323	7,133	8,714
% of TTM Clients	68%	84%	84%	84%	84%	74%	84%	84%	84%	84%	74%	74%	73%
Gross Revenue per Live Advertiser	119.1	29.7	27.7	29.3	31.9	119	32.6	31.3	31.6	32.2	128	133	137
Y/Y Growth	11%	-9%	-	-	6%	0%	10%	13%	8%	1%	7%	4%	3%
Q/Q Growth		-2%	-7%	6%	9%		2%	-4%	1%	2%			
Gross Revenue	271,855	94,860	99,400	113,811	135,889	443,960	152,520	159,597	173,282	194,203	679,603	947,125	1,191,750
Y/Y Growth	89%	68%	75%	58%	57%	63%	61%	61%	52%	43%	53%	39%	26%
Y/Y Growth Ex-FX			86%	72%	69%	74%	68%						
Q/Q Growth		10%	5%	14%	19%		12%	5%	9%	12%			
Americas Gross Revenue	67,787	25,025	28,846	30,473	38,660	123,004	37,630	43,091	46,786	56,319	183,826	303,080	417,113
Y/Y Growth	208%	135%	129%	62%	50%	81%	50%	49%	54%	46%	49%	65%	38%
Y/Y Growth Ex-FX					60%	92%	62%						
Q/Q Growth		-3%	15%	6%	27%		-3%	15%	9%	20%			
% of Total	25%	26%	29%	27%	28%	28%	25%	27%	27%	29%	27%	32%	35%
TAC	40,042	15,455	17,722	18,577	23,552	75,306	22,905	26,372	28,633	34,355	112,265	187,303	258,193
TAC % of Gross Revenue	59.1%	61.8%	61.4%	61.0%	60.9%	61.2%	60.9%	61.2%	61.2%	61.0%	61.1%	61.8%	61.9%
Americas Revenue ex-TAC	27,745	9,570	11,124	11,896	15,108	47,698	14,725	16,719	18,153	21,964	71,562	115,777	158,920
Y/Y Growth	234%	92%	107%	60%	52%	72%	54%	50%	53%	45%	50%	62%	37%
Y/Y Growth Ex-FX					62%	82%	66%						
Q/Q Growth		-4%	16%	7%	27%		-3%	14%	9%	21%			
% of Gross Revenue	41%	38%	39%	39%	39%	39%	39%	39%	39%	39%	39%	38%	38%
EMEA Gross Revenue	172,499	54,429	53,348	59,732	70,291	237,800	83,853	78,202	83,176	91,276	336,507	397,793	429,030
Y/Y Growth	44%	29%	41%	36%	44%	38%	54%	47%	39%	30%	42%	18%	8%
Y/Y Growth Ex-FX					45%	39%	54%						
Q/Q Growth		12%	-2%	12%	18%		19%	-7%	6%	10%			
% of Total	63%	57%	54%	52%	52%	54%	55%	49%	48%	47%	50%	42%	36%
TAC	100,708	33,265	31,541	34,374	41,234	140,414	48,533	47,313	50,737	55,678	202,261	245,438	265,999
TAC % of Gross Revenue	58.4%	61.1%	59.1%	57.5%	58.7%	59.0%	57.9%	60.5%	61.0%	61.0%	60.1%	61.7%	62.0%
EMEA Revenue ex-TAC	71,791	21,164	21,807	25,358	29,057	97,386	35,320	30,890	32,438	35,597	134,246	152,355	163,031
Y/Y Growth	29%	18%	34%	45%	45%	36%	67%	42%	28%	23%	38%	13%	7%
Y/Y Growth Ex-FX					46%	37%	66%						
Q/Q Growth		6%	3%	16%	15%		22%	-13%	5%	10%			
% of Gross Revenue	42%	39%	41%	42%	41%	41%	42%	40%	39%	39%	40%	38%	38%
APAC Gross Revenue	31,570	15,406	17,206	23,606	26,937	83,155	31,037	38,303	43,321	46,609	159,270	246,253	345,608
Y/Y Growth	1703%	311%	177%	147%	124%	163%	101%	123%	84%	73%	92%	55%	40%
Y/Y Growth Ex-FX					180%	223%	131%						
Q/Q Growth		28%	12%	37%	14%		15%	23%	13%	8%			
% of Total	12%	16%	17%	21%	20%	19%	20%	24%	25%	24%	23%	26%	29%
TAC	16,958	8,833	10,105	14,045	16,247	49,230	18,349	22,982	25,992	27,965	95,289	150,214	210,821
TAC % of Gross Revenue	53.7%	57.3%	58.7%	59.5%	60.3%	59.2%	59.1%	60.0%	60.0%	60.0%	59.8%	61.0%	61.0%
APAC Revenue ex-TAC	14,612	6,573	7,101	9,561	10,690	33,925	12,688	15,321	17,328	18,644	63,981	96,038	134,787
Y/Y Growth	1941%	278%	125%	119%	100%	132%	93%	116%	81%	74%	89%	50%	40%
Y/Y Growth Ex-FX					149%	183%	120%						
Q/Q Growth		23%	8%	35%	12%		19%	21%	13%	8%			
% of Gross Revenue	46%	43%	41%	41%	40%	41%	41%	40%	40%	40%	40%	39%	39%
Check													
TAC	157,707	57,553	59,369	66,996	81,034	264,952	89,787	96,666	105,363	117,998	409,814	582,956	735,012
% of Gross Revenue	58.0%	60.7%	59.7%	58.9%	59.6%	59.7%	58.9%	60.6%	60.8%	60.8%	60.3%	61.6%	61.7%
Revenue ex-TAC	114,148	37,307	40,031	46,815	54,855	179,008	62,733	62,931	67,920	76,205	269,789	364,170	456,738
Y/Y Growth	77%	51%	61%	60%	55%	57%	68%	57%	45%	39%	51%	35%	25%
Y/Y Growth Ex-FX			70%	73%	66%	66%	76%						
Q/Q Growth		6%	7%	17%	17%		14%	0%	8%	12%			
% of Gross Revenue	42.0%	39.3%	40.3%	41.1%	40.4%	40.3%	41.1%	39.4%	39.2%	39.2%	39.7%	38.5%	38.3%

Source: J.P. Morgan estimates Company data.

Figure 43: OpenTable Income Statement

	2012A	3/13A	6/13A	9/13A	12/13A	2013E	3/14A	6/14E	9/14E	12/14E	2014E	2015E	2016E
Total Revenue	161.6	45.5	45.6	46.7	52.3	190.1	53.8	55.9	56.1	61.4	227.1	270.1	315.5
Cost of net revenues	40.6	11.3	11.2	12.6	12.3	47.4	14.2	14.6	15.0	14.4	58.1	65.6	75.7
Gross profit	121.0	34.2	34.3	34.1	40.0	142.7	39.6	41.2	41.1	47.0	169.0	204.4	239.7
Operating Expenses													
Sales & Marketing Expenses (ex-SBC)	29.4	9.4	8.4	9.1	11.4	38.3	12.6	13.0	13.1	14.3	53.0	52.9	59.9
Technology Expenses (ex-SBC)	11.3	3.4	3.4	3.7	4.5	15.0	4.7	5.0	5.3	5.7	20.7	26.5	31.3
General & Administrative Expenses (ex-SBC)	23.2	6.8	6.2	6.5	6.7	26.2	7.9	8.2	8.4	8.5	32.9	36.2	39.9
Stock-Based Compensation (SBC)	20.6	4.6	3.3	4.7	4.2	16.8	17.0	4.6	4.6	5.0	31.2	21.6	25.2
Total Operating Expenses	84.5	24.2	21.3	23.9	26.8	96.2	42.2	30.7	31.4	33.6	137.9	137.3	156.3
Operating Income	36.6	9.9	13.1	10.2	13.2	46.4	(2.6)	10.5	9.8	13.4	31.1	67.2	83.4
PF Operating Income	61.0	15.5	17.8	16.7	19.0	69.1	16.3	17.6	17.1	20.6	71.6	97.4	117.3
Other Income / (Expense), Net	0.1	0.0	(0.0)	(0.0)	0.0	(0.0)	-	-	-	-	-	-	-
Pre-Tax Income	36.6	9.9	13.1	10.2	13.2	46.4	(2.6)	10.5	9.8	13.4	31.1	67.2	83.4
Income Tax Provision	12.7	2.8	4.8	2.6	2.9	13.0	1.0	3.6	3.3	4.6	12.5	24.8	30.9
Tax-Rate GAAP	34.6%	28.1%	36.4%	25.2%	22.1%	28.1%	NA	34.0%	34.0%	34.0%	40.2%	37.0%	37.0%
GAAP Net Income	24.0	7.1	8.3	7.6	10.3	33.4	(3.6)	6.9	6.4	8.9	18.6	42.3	52.6
Basic income (loss) per share	\$1.06	\$0.31	\$0.36	\$0.33	\$0.44	\$1.45	(\$0.16)	\$0.30	\$0.27	\$0.37	\$0.79	\$1.76	\$2.15
Diluted income (loss) per share	\$1.03	\$0.30	\$0.35	\$0.32	\$0.43	\$1.39	(\$0.16)	\$0.28	\$0.26	\$0.35	\$0.75	\$1.68	\$2.05
Basic shares outstanding	22.6	22.9	22.8	23.1	23.3	23.0	23.4	23.3	23.6	23.8	23.5	24.0	24.5
Diluted shares outstanding	23.3	23.8	23.7	24.0	24.3	24.0	24.4	24.5	24.8	25.0	24.6	25.1	25.6
PF Net Income Reconciliation:													
GAAP Net Income (Loss)	24.0	7.1	8.3	7.6	10.3	33.4	(3.6)	6.9	6.4	8.9	18.6	42.3	52.6
SBC	20.6	4.6	3.3	4.7	4.2	16.8	17.0	4.6	4.6	5.0	31.2	21.6	25.2
Acquisition Related Expenses	0.2	0.1	0.3	0.3	0.3	1.0	0.1	0.2	0.2	0.2	0.7	-	-
Amortization of Acquired Intangibles	3.6	0.9	1.2	1.5	1.2	4.8	1.8	2.3	2.6	1.9	8.6	8.6	8.6
Tax Effect	(9.2)	(2.1)	(1.1)	(2.1)	(1.8)	(6.4)	(4.3)	(2.4)	(2.5)	(2.4)	(11.6)	(11.2)	(12.5)
PF Net Income	39.3	10.7	12.0	12.1	14.3	49.7	11.0	11.6	11.3	13.6	47.5	61.3	73.9
PF basic income (loss) per share	\$1.73	\$0.47	\$0.52	\$0.52	\$0.61	\$2.16	\$0.47	\$0.50	\$0.48	\$0.57	\$2.02	\$2.56	\$3.02
PF diluted income (loss) per share	\$1.69	\$0.45	\$0.50	\$0.50	\$0.59	\$2.07	\$0.45	\$0.47	\$0.46	\$0.54	\$1.93	\$2.44	\$2.88
Basic shares outstanding	22.6	22.9	22.8	23.1	23.3	23.0	23.4	23.3	23.6	23.8	23.5	24.0	24.5
Diluted shares outstanding	23.3	23.8	23.7	24.0	24.3	24.0	24.4	24.5	24.8	25.0	24.6	25.1	25.6
PF EBITDA Reconciliation:													
GAAP Operating Income	36.6	9.9	13.1	10.2	13.2	46.4	(2.6)	10.5	9.8	13.4	31.1	67.2	83.4
SBC	20.6	4.6	3.3	4.7	4.2	16.8	17.0	4.6	4.6	5.0	31.2	21.6	25.2
Acquisition Related Expenses	0.2	0.1	0.3	0.3	0.3	1.0	0.1	0.2	0.2	0.2	0.7	-	-
Amortization of Acquired Intangibles	3.6	0.9	1.2	1.5	1.2	4.8	1.8	2.3	2.6	1.9	8.6	8.6	8.6
Depreciation & Other Amortization Expense	9.1	2.6	2.9	3.3	3.5	12.4	3.7	3.9	3.8	4.2	15.6	15.7	18.3
Adjusted EBITDA	70.1	18.1	20.8	20.0	22.5	81.5	20.0	21.4	21.0	24.8	87.2	113.0	135.6
	2012A	3/13A	6/13A	9/13A	12/13A	2013E	3/14A	6/14E	9/14E	12/14E	2014E	2015E	2016E
Y/Y Growth													
Subscription	10.8%	8.4%	8.1%	10.8%	12.2%	9.9%	12.9%	11.2%	8.5%	7.7%	10.0%	7.1%	6.7%
Reservation	22.7%	21.2%	24.1%	27.1%	32.7%	26.4%	26.6%	31.6%	30.0%	25.8%	28.4%	25.0%	21.6%
Installation & Other	-1.3%	7.4%	-14.8%	-14.8%	-11.6%	-8.5%	-22.0%	-4.1%	-10.4%	-16.8%	-14.1%	10.4%	5.5%
Total Revenue	15.9%	15.6%	15.2%	17.5%	21.7%	17.6%	18.2%	22.6%	20.1%	17.3%	19.5%	18.9%	16.8%
Cost of net revenues	7.8%	11.0%	12.3%	23.1%	20.4%	16.7%	24.9%	30.3%	19.2%	17.1%	22.7%	12.9%	15.4%
Sales & Marketing Expenses (ex-SBC)	10.2%	25.4%	17.8%	31.0%	45.7%	30.3%	34.7%	55.5%	44.0%	25.1%	38.6%	-0.2%	13.2%
Technology Expenses (ex-SBC)	-13.2%	26.1%	16.0%	34.5%	55.8%	33.0%	37.7%	44.3%	44.0%	28.7%	38.1%	28.0%	18.0%
General & Administrative Expenses (ex-SBC)	23.0%	21.5%	15.2%	12.1%	4.2%	12.9%	14.9%	32.6%	29.3%	27.3%	25.8%	10.0%	10.0%
Stock-Based Compensation (SBC)	92.4%	-22.5%	-37.6%	-4.9%	-6.9%	-18.7%	270.3%	39.8%	-1.5%	18.5%	86.0%	-30.8%	16.8%
Total Operating Expenses	22.1%	11.4%	2.8%	17.4%	23.7%	13.9%	74.2%	44.6%	31.1%	25.2%	43.3%	-0.4%	13.9%
Operating Income	12.0%	34.2%	47.2%	11.5%	19.0%	27.0%	-126.3%	-19.7%	-4.4%	1.5%	-33.1%	116.1%	24.2%
PF Operating Income	29.0%	8.8%	17.7%	9.8%	16.1%	13.2%	5.0%	-1.6%	2.6%	8.4%	3.7%	35.9%	20.4%
GAAP Net Income	11.2%	48.3%	44.8%	28.0%	38.2%	39.3%	-151.0%	-16.7%	-15.4%	-14.1%	-44.3%	127.6%	24.2%
PF Net Income	25.9%	16.4%	23.0%	24.6%	33.5%	26.6%	3.1%	-3.2%	-6.1%	-4.6%	-4.4%	29.1%	20.4%
PF basic income (loss) per share	30.9%	14.4%	21.6%	22.2%	30.6%	24.4%	0.9%	-5.1%	-7.9%	-6.5%	-6.3%	26.6%	18.1%
PF diluted income (loss) per share	32.2%	13.5%	20.0%	20.5%	29.1%	22.9%	0.6%	-6.0%	-8.8%	-7.4%	-7.0%	26.6%	18.1%
Adjusted EBITDA	26.7%	10.0%	20.1%	14.2%	19.6%	16.1%	10.5%	3.0%	4.9%	9.9%	7.0%	29.6%	19.9%
% of Revenue													
Subscription	34.8%	32.3%	33.0%	33.9%	31.2%	32.5%	30.8%	29.9%	30.6%	28.6%	30.0%	27.0%	24.6%
Reservation	56.3%	59.5%	60.8%	59.6%	62.1%	60.6%	63.7%	65.2%	64.6%	66.6%	65.1%	68.4%	71.2%
Installation & Other	8.9%	8.3%	6.2%	6.5%	6.7%	6.9%	5.5%	4.9%	4.8%	4.7%	5.0%	4.6%	4.2%
Cost of net revenues	25.1%	24.9%	24.7%	26.9%	23.4%	24.9%	26.3%	26.2%	26.7%	23.4%	25.6%	24.3%	24.0%
Sales & Marketing Expenses (ex-SBC)	18.2%	20.6%	18.4%	19.4%	21.9%	20.1%	23.5%	23.3%	23.3%	23.3%	23.3%	19.6%	19.0%
Technology Expenses (ex-SBC)	7.0%	7.6%	7.6%	7.8%	8.5%	7.9%	8.8%	8.9%	9.4%	9.4%	9.1%	9.8%	9.9%
General & Administrative Expenses (ex-SBC)	14.3%	15.0%	13.5%	13.9%	12.8%	13.8%	14.6%	14.6%	15.0%	13.9%	14.5%	13.4%	12.6%
Stock-Based Compensation (SBC)	12.8%	10.1%	7.2%	10.0%	8.1%	8.8%	31.6%	8.2%	8.2%	8.2%	13.7%	8.0%	8.0%
Total Operating Expenses	52.3%	53.3%	46.7%	51.2%	51.3%	50.6%	78.5%	55.0%	55.9%	54.7%	60.7%	50.8%	49.6%
Margins													
Gross Margin	74.9%	75.1%	75.3%	73.1%	76.6%	75.1%	73.7%	73.8%	73.3%	76.6%	74.4%	75.7%	76.0%
Operating Margin	22.6%	21.8%	28.7%	21.9%	25.3%	24.4%	-4.9%	18.8%	17.4%	21.9%	13.7%	24.9%	26.4%
PF Operating Margin	37.8%	34.2%	39.2%	35.8%	36.3%	36.4%	30.4%	31.4%	30.6%	33.6%	31.5%	36.1%	37.2%
PF Net Margin	24.3%	23.5%	26.3%	25.8%	27.3%	26.1%	20.5%	20.7%	20.2%	22.2%	20.9%	22.7%	23.4%
EBITDA Margin	43.4%	39.9%	45.6%	42.8%	43.1%	42.9%	37.3%	38.3%	37.4%	40.4%	38.4%	41.9%	43.0%

Source: J.P. Morgan estimates Company data.

Figure 44: OPEN North America Revenue Build-up

	2012A	3/13A	6/13A	9/13A	12/13A	2013E	3/14A	6/14E	9/14E	12/14E	2014E	2015E	2016E
Total North America Revenue	\$139.3	\$39.4	\$39.7	\$40.6	\$44.7	\$164.5	\$46.0	\$47.8	\$47.9	\$51.7	\$193.4	\$226.9	\$262.2
y/y Growth - %	17.4%	17.0%	15.2%	17.7%	21.9%	18.0%	16.5%	20.4%	17.8%	15.7%	17.6%	17.3%	15.6%
% of Total Revenue	86.2%	86.7%	87.2%	87.0%	85.4%	86.5%	85.5%	85.6%	85.3%	84.3%	85.1%	84.0%	83.1%
Guidance								47 - 48.2			189.7-194.3		
NA Subscription	49.4	12.9	13.3	13.9	14.3	54.4	14.5	14.6	15.0	15.3	59.4	63.1	66.8
y/y Growth - %	10.2%	8.3%	8.4%	11.2%	12.5%	10.1%	12.4%	10.0%	7.7%	7.2%	9.2%	6.3%	5.9%
% of NA Revenue	35%	33%	33%	34%	32%	33%	32%	31%	31%	30%	31%	28%	25%
North America ERB Restaurants (End of Period)	17,206	17,550	18,024	18,373	19,015	19,015	19,386	19,790	20,118	20,726	20,726	22,177	23,397
y/y Growth - %	12.3%	11.3%	10.9%	10.4%	10.5%	10.5%	10.5%	9.8%	9.5%	9.0%	9.0%	7.0%	5.5%
q/q Growth - %		2.0%	2.7%	1.9%	3.5%		2.0%	2.1%	1.7%	3.0%			
Net New Restaurant Adds	1,890	344	474	349	642	1,809	371	404	328	608	1,711	1,451	1,220
North America Connect Restaurants (End of Period)	2,595	2,578	2,564	2,516	2,528	2,528	2,509	2,513	2,466	2,477	2,477	2,453	2,428
y/y Growth - %	41.5%	29.7%	20.8%	7.8%	-2.6%	-2.6%	-2.7%	-2.0%	-2.0%	-2.0%	-2.0%	-1.0%	-1.0%
q/q Growth - %		-0.7%	-0.5%	-1.9%	0.5%		-0.8%	0.1%	-1.9%	0.5%			
Net New Restaurant Adds	761	-17	-14	-48	12	(67)	-19	4	-47	12	(51)	(25)	(25)
Average NA core ERB per Restaurant (ex Rezbook)	\$253	\$247	\$249	\$247	\$246	\$250	\$243	\$242	\$243	\$243	\$242	\$239	\$239
y/y Growth - %	-3.7%	-3.1%	-2.4%	-2.6%	-1.8%	-1.1%	-1.7%	-3.0%	-1.5%	-1.0%	-3.5%	-1.0%	0.0%
q/q Growth - %		-1.1%	0.8%	-0.9%	-0.6%		-1.1%	-0.5%	0.6%	-0.1%			
Rezbook Subscription Revenue				0.4	0.5	0.9	0.5	0.4	0.4	0.4	1.8	1.6	1.4
Rezbook restaurants			2400	2398	2281	2,281	1967	1,942	1,917	1,892	1,892	1,742	1,592
ASP				\$89	\$72		\$77	\$72	\$72	\$72	\$72	\$72	\$72
Total NA Installed Restaurants incl Rezbook (EOP)	19,801	20,128	20,588	23,287	23,824	23,824	23,862	24,245	24,501	25,096	25,096	26,372	27,417
y/y Growth - %	15.5%	13.4%	12.1%	22.7%	20.3%	20.3%	18.6%	17.8%	5.2%	5.3%	5.3%	5.1%	4.0%
q/q Growth - %		1.7%	2.3%	13.1%	2.3%		0.2%	1.6%	1.1%	2.4%			
Net New Restaurant Adds	2,651	327	460	2699	537	4,023	38	383	256	595	1,272	1,276	1,045
NA Reservation	78.9	23.5	23.8	23.8	27.1	98.1	28.7	30.7	30.3	33.7	123.4	152.7	183.7
y/y Growth - %	25.8%	22.3%	20.4%	23.8%	30.2%	24.3%	22.3%	29.2%	27.7%	24.3%	25.8%	23.7%	20.3%
% of NA Revenue	57%	60%	60%	59%	61%	60%	62%	64%	63%	65%	64%	67%	70%
North America Seated Diners (000's)	113,053	34,268	34,955	35,150	39,770	144,143	42,473	45,430	44,910	49,824	182,637	224,815	267,848
y/y Growth - %	26.3%	23.6%	24.7%	28.1%	33.2%	27.5%	23.9%	30.0%	27.8%	25.3%	26.7%	23.1%	19.1%
q/q Growth - %		14.8%	2.0%	0.6%	13.1%		6.8%	7.0%	-1.1%	10.9%			
OpenTable Diners (ex Rezbook)	113,053	34,268	34,955	34,377	38,670	142,270	41,373	44,480	44,010	48,824	178,687		
y/y Growth - %	26.3%	23.6%	24.7%	25.3%	29.5%	25.8%	20.7%	27.3%	28.0%	26.3%	25.6%		
q/q Growth - %		14.8%	2.0%	-1.7%	12.5%		7.0%	7.5%	-1.1%	10.9%			
Rezbook Diners	-	-	-	773	1,100	1,873	1,100	950	900	1,000	3,950		
Mobile Diners Seated during the period	33,414	12,336	13,283	14,412	15,908	55,939	17,839	20,444	21,108	23,915	83,305	134,889	160,709
y/y Growth - %	164.9%	78.0%	69.2%	64.1%	61.4%	67.4%	44.6%	53.9%	46.5%	50.3%	48.9%	61.9%	19.1%
q/q Growth - %		25.2%	7.7%	8.5%	10.4%		12.1%	14.6%	3.2%	13.3%			
% of total Seated diners	29.6%	36.0%	38.0%	41.0%	40.0%	38.8%	42.0%	45.0%	47.0%	48.0%	45.6%	60.0%	60.0%
Cumulative Mobile Diners	53,348	65,684	78,967	93,379	109,287	109,287	127,125	147,569	168,677	192,592	192,592	327,481	488,190
Desktop Seated Diners in period	79,639	21,932	21,672	20,739	23,862	88,204	24,634	24,987	23,802	25,908	99,332	89,926	107,139
y/y Growth - %	3.5%	5.5%	7.4%	11.2%	19.3%	10.8%	12.3%	15.3%	14.8%	8.6%	12.6%	-9.5%	19.1%
q/q Growth - %		9.6%	-1.2%	-4.3%	15.1%		3.2%	1.4%	-4.7%	8.8%			
Average North American Reservation Revenue per Diner	\$0.70	\$0.69	\$0.68	\$0.68	\$0.68	\$0.68	\$0.68	\$0.68	\$0.68	\$0.68	\$0.68	\$0.68	\$0.69
y/y Growth - %	-0.4%	-1.1%	-3.4%	-3.3%	-2.3%	-2.5%	-1.4%	-0.6%	-0.1%	-0.8%	-0.7%	0.5%	1.0%
q/q Growth - %		-1.6%	-2.7%	-1.4%	0.2%		-0.7%	-0.1%	0.0%	0.0%			
North America Seated Diners per Restaurant (incl Rezbook)	6,119	1,716	1,717	1,602	1,688	6,608	1,781	1,889	1,843	2,009	7,467	8,736	9,959
y/y Growth - %	5.7%	8.1%	10.6%	9.0%	9.6%	8.0%	3.8%	10.0%	15.0%	19.0%	13.0%	17.0%	14.0%
q/q Growth - %		11.4%	0.0%	-6.7%	5.4%		5.5%	6.0%	-2.4%	9.0%			
OpenTable Diners/Restaurant (excl Rezbook)	6,119	1,716	1,717	1,658	1,823	6,882	1,905	2,013	1,961	2,133	7,987		
y/y Growth - %	5.7%	8.1%	10.6%	12.8%	18.3%	12.5%	11.0%	17.2%	18.3%	17.0%	16.0%		
Rezbook Diners/Restaurant				322	470		518	486	466	525			
y/y Growth - %													
NA Seated Diners per Restaurant (excl Connect Restaurants)	6,952	1,972	1,965	1,931	2,127	7,959	2,212	2,319	2,251	2,440	9,191	10,480	11,754
y/y Growth - %	10.3%	10.6%	12.2%	15.8%	20.6%	14.5%	12.2%	18.0%	16.5%	14.7%	15.5%	14.0%	12.2%
q/q Growth - %		11.8%	-0.3%	-1.7%	10.1%		4.0%	4.8%	-3.0%	8.4%			
North America Reservation Revenue per Restaurant (\$s)	\$4,272	\$1,177	\$1,167	\$1,083	\$1,149	\$4,497	\$1,205	\$1,276	\$1,245	\$1,357	\$5,046	\$5,933	\$6,831
y/y Growth - %	5.3%	6.9%	6.9%	5.4%	7.1%	5.3%	2.4%	9.4%	14.9%	18.1%	12.2%	17.6%	15.1%
q/q Growth - %		9.7%	-0.8%	-7.1%	6.1%		-73.2%	5.9%	-2.4%	9.0%			
NA Installation & Other	11.0	3.1	2.7	2.9	3.3	12.0	2.8	2.5	2.5	2.7	10.6	11.1	11.6
y/y Growth - %	-0.7%	17.4%	7.6%	5.2%	5.4%	8.7%	-9.8%	-5.5%	-13.6%	-18.0%	-12.0%	5.0%	5.0%
% of NA Revenue	8%	8%	7%	7%	7%	7%	6%	5%	5%	5%	5%	5%	4%

Source: J.P. Morgan estimates Company data.

Figure 45: OPEN International Revenue Build-up

	2012A	3/13A	6/13A	9/13A	12/13A	2013E	3/14A	6/14E	9/14E	12/14E	2014E	2015E	2016E
International Revenue Build-Up													
Total International Revenue	\$22.3	\$6.1	\$5.8	\$6.1	\$7.6	\$25.6	\$7.8	\$8.0	\$8.2	\$9.7	\$33.7	\$43.2	\$53.3
y/y Growth - %	6.9%	7.3%	14.8%	15.9%	20.5%	14.8%	28.9%	37.6%	35.3%	26.9%	31.8%	28.0%	23.4%
% of Total Revenue	13.8%	13.3%	12.8%	13.0%	14.6%	13.5%	14.5%	14.4%	14.7%	15.7%	14.9%	16.0%	16.9%
Guidance								7.7 - 8.1			32.2-33.8		
International Subscription	6.9	1.8	1.8	1.9	2.0	7.5	2.1	2.1	2.2	2.2	8.6	9.8	10.9
y/y Growth - %	15.1%	9.3%	5.6%	8.3%	10.2%	8.4%	17.0%	20.1%	14.9%	11.2%	15.6%	12.9%	12.0%
% of International Revenue	31%	30%	30%	31%	27%	29%	27%	26%	27%	23%	26%	23%	21%
International ERB Restaurants (End of Period)	3,287	3,404	3,563	3,660	3,871	3,871	3,996	4,160	4,285	4,413	4,413	4,943	5,536
y/y Growth - %	20.1%	18.7%	16.7%	14.7%	17.8%	17.8%	17.4%	16.8%	17.1%	14.0%	14.0%	12.0%	12.0%
q/q Growth - %		3.6%	4.7%	2.7%	5.8%		3.2%	4.1%	3.0%	3.0%			
Net New Restaurant Adds	551	117	159	97	211	584	125	164	125	129	542	530	593
International Connect & Toptable Restaurants (End of Period)	4,429	4,425	4,123	4,017	3,858	3,858	3,725	3,743	3,762	3,781	3,781	3,894	4,011
y/y Growth - %	-15.4%	-15.3%	14.1%	-4.2%	-12.9%	-12.9%	-15.8%	-9.2%	-6.3%	-2.0%	-2.0%	3.0%	3.0%
q/q Growth - %		-0.1%	-6.8%	-2.6%	-4.0%		-3.4%	0.6%	0.5%	0.5%			
Net New Restaurant Adds	(804)	-4	-302	-106	-159	(571)	-133	18	19	19	(77)	113	117
International Installed Restaurants (End of Period)	7,716	7,829	7,686	7,677	7,729	7,729	7,721	7,903	8,047	8,194	8,194	8,837	9,547
y/y Growth - %	-3.2%	-3.2%	15.3%	4.0%	0.2%	0.2%	-1.4%	2.8%	4.8%	6.0%	6.0%	7.8%	8.0%
q/q Growth - %		1.5%	-1.8%	-0.1%	0.7%		-0.1%	2.4%	1.8%	1.8%			
Net New Restaurant Adds	(253)	113	-143	-9	52	13	-8	182	143	147	465	643	710
International Market Share	14.0%	14.2%	14.0%	14.0%	14.1%	14.1%	14.0%	14.4%	14.6%	14.9%	14.9%	16.1%	17.4%
Average International Subscription Revenue per Restaurant	\$191	\$179	\$168	\$175	\$179	\$174	\$178	\$172	\$172	\$172	\$174	\$174	\$174
y/y Growth - %	-7.1%	-8.4%	-10.3%	-6.4%	-5.2%	-8.8%	-0.5%	2.6%	-1.8%	-3.7%	-0.1%	0.0%	0.0%
q/q Growth - %		-5.4%	-5.9%	4.4%	2.0%		-0.5%	-3.0%	0.0%	0.0%			
International Reservation	12.1	3.6	3.9	4.1	5.4	17.0	5.5	5.7	5.9	7.2	24.4	32.1	40.9
y/y Growth - %	5.5%	14.6%	51.9%	50.1%	47.3%	40.5%	55.5%	46.1%	43.7%	33.4%	43.4%	31.6%	27.4%
% of International Revenue	54%	59%	67%	67%	71%	66%	71%	71%	71%	75%	72%	74%	77%
International Seated Diners (000's)	9,771	3,088	3,271	3,364	4,241	13,964	4,271	4,406	4,497	5,541	18,715	24,621	31,361
y/y Growth - %	36.8%	37.0%	45.8%	46.1%	42.7%	42.9%	38.3%	34.7%	33.7%	30.7%	34.0%	31.6%	27.4%
q/q Growth - %		3.9%	5.9%	2.8%	26.1%		0.7%	3.2%	2.1%	23.2%			
UK Seated Diners	6,000					9,020					12,595	16,090	16,444
y/y Growth - %	43.2%					50.3%					39.6%	27.8%	2.2%
q/q Growth - %													
Total UK Diners	200,000					205,000					209,920	214,538	219,258
% TopTable Share	3.0%					4.4%					6.0%	7.5%	7.5%
ROW Seated Diners	3,771					4,944					6,120	8,531	14,917
y/y Growth - %	27.6%					31.1%					23.8%	39.4%	74.9%
Average International Reservation Revenue per Diner	\$1.24	\$1.15	\$1.20	\$1.21	\$1.28	\$1.22	\$1.30	\$1.30	\$1.30	\$1.30	\$1.30	\$1.30	\$1.30
y/y Growth - %	-22.9%	-16.4%	4.2%	2.7%	3.2%	-1.7%	12.4%	8.5%	7.5%	2.1%	7.0%	0.0%	0.0%
q/q Growth - %		-6.7%	4.2%	0.9%	5.3%		1.6%	0.5%	0.0%	0.0%			
International Seated Diners per Restaurant (Quarterly)	1,246	397	422	438	551	1,808	553	564	564	682	2,351	2,891	3,412
y/y Growth - %	24.1%	41.5%	38.6%	33.6%	39.9%	45.1%	39.2%	33.7%	28.8%	23.9%	30.0%	23.0%	18.0%
q/q Growth - %		1.0%	6.1%	3.9%	25.7%		0.4%	2.0%	0.0%	21.0%			
International Reservation Revenue per Restaurant (\$s)	\$1,543	\$459	\$507	\$531	\$703	\$2,201	\$717	\$735	\$735	\$890	\$3,062	\$3,766	\$4,444
y/y Growth - %	-4.3%	18.3%	44.4%	37.3%	44.4%	42.6%	56.4%	45.1%	38.5%	26.5%	39.1%	23.0%	18.0%
q/q Growth - %		-5.8%	10.5%	4.8%	32.4%		2.0%	2.6%	0.0%	21.0%			
International Installation & Other	3.3	0.7	0.2	0.1	0.2	1.1	0.2	0.2	0.2	0.2	0.7	1.4	1.5
y/y Growth - %	-3.2%	-21.8%	-81.9%	-86.8%	-78.4%	-65.9%	-75.7%	21.7%	80.1%	5.6%	-35.9%	88.9%	10.0%
% of International Revenue	15%	12%	3%	2%	2%	4%	2%	2%	2%	2%	2%	3%	3%
TAM International	55,000	55,000	55,000	55,000	55,000	55,000	55,000	55,000	55,000	55,000	55,000	55,000	55,000
y/y Growth - %	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
International Non-GAAP Operating Expenses													
y/y Growth - %													
q/q Growth - %													
International Headcount (End of Period)	157	158	159	166	164	164	172	174	175	177	177	184	191
y/y Growth - %	-1.9%	-3.7%	-1.2%	2.5%	4.5%	4.5%	8.9%	9.3%	5.7%	8.1%	8.1%	3.8%	3.8%
q/q Growth - %		0.6%	0.6%	4.4%	-1.2%		1.0%	1.0%	1.0%	1.0%			
International Non-GAAP Operating Income													
y/y Growth - %													
q/q Growth - %													
International Depreciation Expense													
y/y Growth - %													
q/q Growth - %													
International Adjusted EBITDA	(1.8)	(1.7)	(0.4)	(0.4)	(0.1)	(2.6)	(0.6)	(1.6)	(1.5)	(0.6)	(4.3)	(5.0)	(2.1)
y/y Growth - %	-45.3%	173.6%	-46.7%	48.9%	-11.3%		-61.5%	282.1%	277.8%	491.7%			
q/q Growth - %		1484.9%	-75.7%	-0.7%	-76.8%		587.2%	141.3%	-1.9%	-63.6%			
% Margin	-8%	-28%	-7%	-7%	-1%	-10%	-8%	-19%	-19%	-6%	-13%	-11%	-4%

Source: J.P. Morgan estimates Company data.

Figure 46: TRLA Income Statement

(\$ thousands, except per share amounts)	2012A	1Q13A	2Q13A	3Q13A	4Q13A	2013A	1Q14A	2Q14E	3Q14E	4Q14E	2014E	2015E	2016E
Revenue	68,085	24,002	29,713	40,283	49,730	143,728	54,489	62,328	66,935	68,724	252,476	347,576	450,338
Cost of Revenue	9,968	3,140	4,386	5,869	9,008	22,403	9,671	10,845	11,513	11,821	43,849	58,393	73,855
Gross Profit	58,117	20,862	25,327	34,414	40,722	121,325	44,818	51,483	55,422	56,903	208,626	289,184	376,482
Operating Expenses													
Technology and Development (Ex-SBC)	19,269	4,486	5,951	8,019	9,791	28,247	10,781	12,200	12,850	13,250	49,081	63,900	80,000
Sales and Marketing (Ex-SBC)	33,349	11,956	12,817	18,663	22,271	65,707	29,651	35,000	36,050	31,650	132,351	166,837	206,900
General and Administrative (Ex-SBC)	12,449	4,569	4,704	6,301	6,901	22,475	7,869	8,800	8,900	9,100	34,669	43,500	53,150
Stock-based Compensation	2,570	1,392	1,986	7,290	12,305	22,973	9,888	10,907	11,714	12,027	44,536	57,350	69,802
Acquisition Related Costs	-	-	2,005	4,060	-	6,065	-	4,140	460	-	4,600	-	-
Total Operating Expenses	67,637	22,403	27,463	44,333	51,268	145,467	58,189	71,047	69,974	66,027	265,237	331,587	409,852
Operating Income	(9,520)	(1,541)	(2,136)	(9,919)	(10,546)	(24,142)	(13,371)	(19,565)	(14,551)	(9,123)	(56,610)	(42,404)	(33,370)
PF Operating Income	(6,950)	(149)	1,855	1,431	1,759	4,896	(3,483)	(4,517)	(2,378)	2,903	(7,475)	14,947	36,432
Other income (expense), net	(1,401)	(210)	(165)	(170)	(583)	(1,128)	(1,682)	(1,566)	(1,580)	(1,590)	(6,418)	(6,435)	(6,549)
Pre-tax Income	(10,921)	(1,751)	(2,301)	(10,089)	(11,129)	(25,270)	(15,053)	(21,131)	(16,131)	(10,713)	(63,029)	(48,839)	(39,919)
Income Taxes	-	231	110	(17,107)	17	(16,749)	98	-	-	-	98	-	-
Effective Tax Rate	-	-	-	-	-	-	-	-	-	-	-	-	-
GAAP Net Income	(10,921)	(1,982)	(2,411)	7,018	(11,146)	(8,521)	(15,151)	(21,131)	(16,131)	(10,713)	(63,127)	(48,839)	(39,919)
GAAP EPS	(\$0.87)	(\$0.07)	(\$0.07)	\$0.19	(\$0.30)	(\$0.24)	(\$0.41)	(\$0.57)	(\$0.43)	(\$0.28)	(\$1.68)	(\$1.27)	(\$1.02)
Basic Shares Out	22,874	28,427	32,151	34,558	37,270	33,130	36,726	37,326	37,926	38,526	37,626	38,379	39,146
Diluted Shares Out (GAAP)	12,539	28,427	32,151	34,558	37,270	33,130	36,726	37,326	37,926	38,526	37,626	38,379	39,146
Fully Diluted Shares Out	23,013	28,427	34,017	37,428	40,718	35,986	36,726	37,326	37,926	53,000	41,245	42,070	42,911
GAAP Net Income	(10,921)	(1,982)	(2,411)	7,018	(11,146)	(8,521)	(15,151)	(21,131)	(16,131)	(10,713)	(63,127)	(48,839)	(39,919)
SBC	2,570	1,392	1,986	7,290	12,305	22,973	9,888	10,907	11,714	12,027	44,536	57,350	69,802
Non-GAAP Tax Rate	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Tax Effect	2,570	1,392	1,986	7,290	12,305	22,973	9,888	10,907	11,714	12,027	44,536	57,350	69,802
Other	-	-	2,005	4,060	-	6,065	-	4,140	460	-	4,600	-	-
Non-GAAP Net Income	(8,351)	(590)	1,580	18,368	1,159	20,517	(5,263)	(6,084)	(3,958)	1,313	(13,991)	8,512	29,883
Non-GAAP EPS	(\$0.37)	(\$0.02)	\$0.05	\$0.49	\$0.03	\$0.57	(\$0.14)	(\$0.16)	(\$0.10)	\$0.02	(\$0.37)	\$0.20	\$0.70
EBITDA Calculation													
Operating Income	(9,520)	(1,541)	(2,136)	(9,919)	(10,546)	(24,142)	(13,371)	(19,565)	(14,551)	(9,123)	(56,610)	(42,404)	(33,370)
Stock-based compensation	2,570	1,392	1,986	7,290	12,305	22,973	9,888	10,907	11,714	12,027	44,536	57,350	69,802
Depreciation and Amortization	3,584	1,360	1,548	3,380	5,924	12,212	6,256	7,168	7,698	7,903	29,024	38,233	42,782
Other	-	-	2,005	4,060	-	6,065	-	4,140	460	-	4,600	-	-
EBITDA	(3,366)	1,211	3,403	4,811	7,683	17,108	2,773	2,650	5,320	10,807	21,550	53,180	79,215

	2012A	1Q13A	2Q13A	3Q13A	4Q13A	2013A	1Q14A	2Q14E	3Q14E	4Q14E	2014E	2015E	2016E
Y/Y Growth													
Revenue	77%	97%	77%	117%	142%	111%	127%	110%	66%	38%	76%	38%	30%
Cost of Revenue	72%	43%	77%	125%	236%	125%	208%	147%	96%	31%	96%	33%	26%
Gross Profit	78%	109%	77%	116%	128%	109%	115%	103%	61%	40%	72%	39%	30%
Technology and Development (Ex-SBC)	36%	1%	17%	61%	106%	47%	140%	105%	60%	35%	74%	30%	25%
Sales and Marketing (Ex-SBC)	90%	99%	42%	124%	123%	97%	148%	173%	93%	42%	101%	26%	24%
General and Administrative (Ex-SBC)	134%	66%	67%	97%	88%	81%	72%	87%	41%	32%	54%	25%	22%
Stock-based Compensation	73%	199%	260%	819%	1517%	794%	610%	449%	61%	-2%	94%	29%	22%
Total Operating Expenses	76%	64%	57%	156%	167%	115%	160%	159%	58%	29%	82%	25%	24%
Operating Income	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	-25%	-21%
PF Operating Income	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	-300%	144%
GAAP Net Income	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM
GAAP EPS	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM
Non-GAAP EPS	NM	NM	NM	NM	NM	NM	NM	NM	NM	-13%	NM	NM	244%
EBITDA	NM	NM	NM	NM	NM	NM	129%	-22%	11%	41%	26%	147%	49%
Q/Q Growth													
Revenue		17%	24%	36%	23%		10%	14%	7%	3%			
Operating Income		NM	NM	NM	6%		NM	46%	-26%	-37%			
PF Operating Income		NM	NM	-23%	23%		-298%	30%	-47%	-222%			
EBITDA		115%	181%	41%	60%		-64%	-4%	101%	103%			
% of Revenue													
Cost of Revenue	14.6%	13.1%	14.8%	14.6%	18.1%	15.6%	17.7%	17.4%	17.2%	17.2%	17.4%	16.8%	16.4%
Gross Profit	85.4%	86.9%	85.2%	85.4%	81.9%	84.4%	82.3%	82.6%	82.8%	82.8%	82.6%	83.2%	83.6%
Technology and Development (Ex-SBC)	28.3%	18.7%	20.0%	19.9%	19.7%	19.7%	19.8%	19.6%	19.2%	19.3%	19.4%	18.4%	17.8%
Sales and Marketing (Ex-SBC)	49.0%	49.8%	43.1%	46.3%	44.8%	45.7%	54.4%	56.2%	53.9%	46.1%	52.4%	48.0%	45.9%
General and Administrative (Ex-SBC)	18.3%	19.0%	15.8%	15.6%	13.9%	15.6%	14.4%	14.1%	13.3%	13.2%	13.7%	12.5%	11.8%
Stock-based Compensation	3.8%	5.8%	6.7%	18.1%	24.7%	16.0%	18.1%	17.5%	17.5%	17.5%	17.6%	16.5%	15.5%
Operating Income	-14.0%	-6.4%	-7.2%	-24.6%	-21.2%	-16.8%	-24.5%	-31.4%	-21.7%	-13.3%	-22.4%	-12.2%	-7.4%
PF Operating Income	-10.2%	-0.6%	6.2%	3.6%	3.5%	3.4%	-6.4%	-7.2%	-3.6%	4.2%	-3.0%	4.3%	8.1%
D&A	5.3%	5.7%	5.2%	8.4%	11.9%	8.5%	11.5%	11.5%	11.5%	11.5%	11.5%	11.0%	9.5%
EBITDA	-4.9%	5.0%	11.5%	11.9%	15.4%	11.9%	5.1%	4.3%	7.9%	15.7%	8.5%	15.3%	17.6%

Source: J.P. Morgan estimates Company data.

Figure 47: TRLA Revenue Drivers

(\$ thousands, except per share amounts)	2012A	1Q13A	2Q13A	3Q13A	4Q13A	2013A	1Q14A	2Q14E	3Q14E	4Q14E	2014E	2015E	2016E
SUMMARY													
Trulia Core	47,750	18,000	22,000	24,800	27,400	92,200	30,350	34,859	37,428	40,506	143,143	214,218	291,890
Market Leader	-	-	-	6,514	14,700	21,214	15,439	16,718	18,093	18,795	69,044	84,419	101,827
Total Marketplace Revenue	47,750	18,000	22,000	31,314	42,100	113,414	45,789	51,576	55,521	59,301	212,187	298,637	393,717
Trulia Media Revenue	20,335	6,002	7,713	8,969	7,630	30,314	8,700	10,751	11,415	9,423	40,289	48,939	56,621
Total Revenue	68,085	24,002	29,713	40,283	49,730	143,728	54,489	62,328	66,935	68,724	252,476	347,576	450,338
% of Total													
Marketplace	70%	75%	74%	78%	85%	79%	84%	83%	83%	86%	84%	86%	87%
Media	30%	25%	26%	22%	15%	21%	16%	17%	17%	14%	16%	14%	13%
Revenue	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
TOTAL MARKETPLACE													
Total Ending Subs (Reported)		27,920	32,123	56,500	59,700	59,700	66,700	75,100	82,600	86,000	86,000	111,228	138,070
Net Adds			4,203	24,377	3,200		7,000	8,400	7,500	3,400			
Implied Overlap		-	-	4,985	5,100	5,100	5,800	6,200	6,700	6,800	6,800	8,550	10,350
Market Leader Overlap %		-	-	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%
Monthly ARPU (Reported)		187	194	189	192	182	196	203	202	204	205	219	235
Trulia MARKETPLACE													
Total Paying Subscribers (BOP)	16,849	24,443	27,920	32,123	36,401	24,443	39,300	44,300	50,300	55,800	39,300	58,800	77,028
Net Adds	7,594	3,477	4,203	4,278	2,899	14,857	5,000	6,000	5,500	3,000	19,500	18,228	19,642
Total Paying Subscribers (EOP)	24,443	27,920	32,123	36,401	39,300	39,300	44,300	50,300	55,800	58,800	58,800	77,028	96,670
Y/Y Growth													
Total Paying Subscribers (BOP)	67%	45%	42%	49%	60%	45%	61%	59%	57%	53%	61%	50%	31%
Net Adds	12%	25%	121%	251%	73%	96%	44%	43%	29%	3%	31%	-7%	8%
Total Paying Subscribers (EOP)	45%	42%	49%	60%	61%	61%	59%	57%	53%	50%	50%	31%	26%
Monthly ARPU	156	187	194	186	192	191	197	208	205	207	208	229	249
Y/Y Growth	41%	46%	31%	21%	12%	23%	5%	7%	10%	8%	9%	10%	9%
Q/Q Growth		9%	4%	-4%	3%		3%	5%	-1%	1%			
Subscription Revenue to Agents	38,563	14,688	17,472	19,118	21,802	73,081	24,704	29,456	32,562	35,645	122,367	186,370	259,782
Y/Y Growth	117%	110%	91%	87%	79%	90%	68%	69%	70%	63%	67%	52%	39%
% of Marketplace Revenues	80.8%	81.6%	79.4%	77.1%	79.6%	79.3%	81.4%	84.5%	87.0%	88.0%	85.5%	87.0%	89.0%
Subscription Revenue to Brokers	9,187	3,312	4,528	5,682	5,598	19,119	5,646	5,403	4,866	4,861	20,776	27,848	32,108
Y/Y Growth	104%	58%	92%	135%	141%	108%	70%	19%	-14%	-13%	9%	34%	15%
% of Marketplace Revenues	19.2%	18.4%	20.6%	22.9%	20.4%	20.7%	18.6%	15.5%	13.0%	12.0%	14.5%	13.0%	11.0%
Trulia Marketplace Revenue	47,750	18,000	22,000	24,800	27,400	92,200	30,350	34,859	37,428	40,506	143,143	214,218	291,890
Y/Y Growth	115%	98%	91%	96%	89%	93%	69%	58%	51%	48%	55%	50%	36%
Q/Q Growth		24%	22%	13%	10%		11%	15%	7%	8%			
Market Leader MARKETPLACE													
Beginning Subs				23,484	25,084		25,500	28,000	31,000	33,500	25,500	34,000	42,750
Net Adds				1,600	416		2,500	3,000	2,500	500	8,500	8,750	9,000
Ending Subs			23,484	25,084	25,500		28,000	31,000	33,500	34,000	34,000	42,750	51,750
Monthly ARPU				155	155	155	155	155	156	156	160	157	158
Revenue from Subscriptions				11,292	11,761	23,053	12,439	13,718	15,093	15,795	57,044	72,299	89,586
Other Revenue				3,008	2,939	5,947	3,000	3,000	3,000	3,000	12,000	12,120	12,241
Market Leader Revenue		12,924	13,686	14,300	14,700	55,610	15,439	16,718	18,093	18,795	69,044	84,419	101,827
Y/Y Growth							19%	22%	27%	28%	24%	22%	21%
MEDIA													
Monthly UVs	23,140	31,350	34,900	41,500	35,300	35,763	44,600	50,605	53,950	45,890	48,761	60,464	72,557
Y/Y Growth	57%	52%	49%	67%	50%	55%	42%	45%	30%	30%	36%	24%	20%
Q/Q Growth		33%	11%	19%	-15%		26%	13%	7%	-15%			
Revenue Per Avg. UV	\$1.07	\$0.22	\$0.23	\$0.23	\$0.20	\$1.03	\$0.22	\$0.23	\$0.22	\$0.19	\$0.95	\$0.90	\$0.85
Y/Y Growth	-25%	31%	-4%	-4%	-20%	-4%	2%	-3%	-7%	-5%	-7%	-6%	-5%
Q/Q Growth		-12%	7%	1%	-15%		10%	4%	-3%	-14%			
Media Revenues	20,335	6,002	7,713	8,969	7,630	30,314	8,700	10,751	11,415	9,423	40,289	48,939	56,621
Y/Y Growth	25%	96%	45%	52%	26%	49%	45%	39%	27%	24%	33%	21%	16%
Q/Q Growth		-1%	29%	16%	-15%		14%	24%	6%	-17%			

Source: J.P. Morgan estimates Company data.

Figure 48: RATE Income Statement

\$ in thousands except per share data

	2012A	3/13A	6/13A	9/13A	12/13A	2013A	3/14A	6/14E	9/14E	12/14E	2014E	2015E	2016E
Revenue	\$457,164	\$108,448	\$105,546	\$121,178	\$122,260	\$457,432	\$136,475	\$132,052	\$137,075	\$138,583	\$544,184	\$601,936	\$665,066
Cost of Revenue	145,833	35,911	37,282	40,283	36,784	150,260	45,986	46,218	45,235	42,268	179,707	195,629	209,496
Gross profit	311,331	\$72,537	\$68,264	80,895	85,476	307,172	\$90,489	85,834	\$91,840	96,315	\$364,478	\$406,307	\$455,570
Operating expenses													
Sales	14,727	3,443	3,328	3,435	3,094	13,300	3,327	3,962	3,975	3,880	15,144	17,456	17,957
Marketing	125,134	25,968	24,474	31,246	30,469	112,157	33,170	31,692	33,172	33,398	131,433	144,465	159,616
Product development	15,531	4,167	4,244	3,966	4,703	17,080	5,231	5,810	5,894	5,820	22,756	19,864	20,617
General & administrative	32,802	10,520	10,054	10,341	18,615	49,530	12,715	11,224	11,103	12,195	47,238	48,155	48,550
Depreciation	3,211	961	1,036	1,156	1,192	4,345	1,378	1,968	2,196	2,265	7,808	7,964	8,123
Amortization	49,643	13,550	13,808	13,574	14,850	55,782	13,083	12,427	12,217	13,365	51,092	35,000	30,000
Deal Mgmt Fees/Legal Settlement/Restructuring	1,209	-	20	30	9,825	9,875	3,809	0	0	0	3,809	0	0
Stock compensation expense	9,120	2,241	2,880	3,493	3,534	12,148	3,923	3,000	3,000	3,000	12,923	12,923	12,923
Total operating expenses	251,377	60,850	59,844	67,241	86,282	274,217	76,636	70,084	71,558	73,924	292,202	285,826	297,786
Operating income/EBIT	59,954	11,687	8,420	13,654	(806)	32,955	13,853	15,749	20,283	22,391	72,276	120,481	157,785
Other income, net	(23,126)	(7,679)	(9,478)	(8,903)	(5,161)	(31,221)	(5,192)	(5,849)	(5,824)	(5,809)	(22,674)	(16,044)	(15,515)
Loss on extinguishment of debt	-	-	-	(17,175)	0	(17,175)	-	-	-	-	0	-	-
Income before taxes, acctg change	36,828	4,008	(1,058)	(12,424)	(5,967)	(15,441)	8,661	9,900	14,459	16,581	49,601	104,436	142,269
Provision for income taxes	7,497	1,825	(166)	(4,673)	(2,425)	(5,439)	3,829	3,861	5,639	6,467	19,796	40,730	55,485
Effective tax rate	20.4%	45.5%	15.7%	37.6%	40.6%	35.2%	44.2%	39.0%	39.0%	39.0%	39.9%	39.0%	39.0%
Earnings in equity interests	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Minority interest	-	-	-	-	-	-	-	-	-	-	-	-	-
GAAP Net Income (loss) bf Cum. Effect	29,331	2,183	(892)	(7,751)	(3,542)	(10,002)	4,832	6,039	8,820	10,115	29,806	63,706	86,784
Accounting change/One-time items	0	0	0	0	0	0	0	0	0	0	0	0	0
GAAP Net income (loss)	29,331	2,183	(892)	(7,751)	(3,542)	(10,002)	4,832	6,039	8,820	10,115	29,806	63,706	86,784
GAAP Net income (loss) per share	\$0.29	\$0.02	(\$0.01)	(\$0.08)	(\$0.04)	(\$0.10)	\$0.05	\$0.06	\$0.09	\$0.10	\$0.29	\$0.61	\$0.82
Basic shares outstanding	99,948	100,047	100,051	100,128	100,205	100,108	100,876	100,056	100,133	100,210	100,319	100,324	100,329
Diluted shares outstanding	100,861	100,053	100,051	100,128	100,205	100,109	103,082	103,082	103,082	103,082	103,082	104,370	105,675
Pro Forma Net Income Reconciliation:													
GAAP EBT	36,828	4,008	(1,058)	(12,424)	(5,967)	(15,441)	8,661	9,900	14,459	16,581	49,601	104,436	142,269
Stock compensation expense	9,120	2,241	2,880	3,493	3,534	12,148	3,923	3,000	3,000	3,000	12,923	12,923	12,923
Amortization of intangibles	49,643	13,550	13,808	13,574	14,850	55,782	13,083	12,427	12,217	13,365	51,092	35,000	30,000
Tax effect	(35,432)	(7,773)	(6,595)	(8,640)	(10,788)	(33,796)	(11,143)	(10,092)	(11,788)	(13,064)	(46,087)	(59,420)	(72,225)
Other non-recurring items	1,209	132	1,281	17,512	15,244	34,169	2,904	550	550	550	4,554	0	0
Pro Forma Net income (loss)	61,368	12,158	10,316	13,515	16,873	52,862	17,428	15,785	18,437	20,433	72,083	92,939	112,967
Pro Forma Net income (loss) per share	\$0.61	\$0.12	\$0.10	\$0.13	\$0.17	\$0.53	\$0.17	\$0.15	\$0.18	\$0.20	\$0.70	\$0.89	\$1.07
Diluted shares outstanding	100,861	100,053	100,051	100,128	100,205	100,109	103,082	103,082	103,082	103,082	103,082	104,370	105,675
EBITDA Reconciliation													
Operating income (reported)	59,954	11,687	8,420	13,654	(806)	32,955	13,853	15,749	20,283	22,391	72,276	120,481	157,785
Depreciation & amortization	52,854	14,511	14,844	14,730	16,042	60,127	14,461	14,396	14,413	15,630	58,899	42,964	38,123
Stock compensation expense	9,120	2,241	2,880	3,493	3,534	12,148	3,923	3,000	3,000	3,000	12,923	12,923	12,923
One time items	1,209	0	20	30	16,627	16,677	3,809	-	-	-	3,809	-	-
EBITDA	123,137	28,439	26,164	31,907	35,397	121,907	36,046	33,145	37,696	41,020	147,907	176,367	208,831
	2012A	3/13A	6/13A	9/13A	12/13A	2013A	3/14A	6/14E	9/14E	12/14E	2014E	2015E	2016E
Yr/Yr Growth													
Revenue	7.8%	-13.3%	-13.6%	3.8%	31.1%	0.1%	25.8%	25.1%	13.1%	13.4%	19.0%	10.6%	10.5%
Gross profit	10.8%	-14.5%	-19.4%	2.1%	36.6%	-1.3%	24.7%	25.7%	13.5%	12.7%	18.7%	11.5%	12.1%
Sales and marketing	21.2%	-2.3%	-11.0%	-9.2%	-16.0%	-9.7%	-3.4%	19.0%	15.7%	25.4%	13.9%	15.3%	2.9%
Product development	13.4%	5.9%	11.1%	5.9%	16.7%	10.0%	25.5%	36.9%	48.6%	23.8%	33.2%	-12.7%	3.8%
General and administrative	-4.2%	21.2%	22.4%	45.1%	112.1%	51.0%	20.9%	11.6%	7.4%	-34.5%	-4.6%	1.9%	0.8%
Total operating expenses	4.7%	-1.5%	-4.0%	1.8%	40.8%	9.1%	25.9%	17.1%	6.4%	-14.3%	6.6%	-2.2%	4.2%
Operating income	46.7%	-49.4%	-62.3%	3.6%	-161.4%	-45.0%	18.5%	87.0%	48.5%	-287.0%	119.3%	66.7%	31.0%
EBITDA	-9.1%	-24.9%	-30.3%	6.9%	97.4%	-1.0%	26.7%	26.7%	18.1%	15.9%	21.3%	19.2%	18.4%
GAAP EPS	-317.4%	-78.1%	-105.5%	-404.0%	-1128.6%	-134.4%	114.8%	-757.1%	-210.5%	-377.6%	-389.4%	111.1%	34.5%
Pro Forma EPS	-1.6%	-34.1%	-42.7%	6.9%	190.7%	-13.2%	39.1%	48.5%	32.5%	17.7%	32.4%	27.3%	20.0%
% of Revenues													
Cost of revenues	31.9%	33.1%	35.3%	33.2%	30.1%	32.8%	33.7%	35.0%	33.0%	30.5%	33.0%	32.5%	31.5%
Sales	3.2%	3.2%	3.2%	2.8%	2.5%	2.9%	2.4%	3.0%	2.9%	2.8%	2.8%	2.9%	2.7%
Marketing	27.4%	23.9%	23.2%	25.8%	24.9%	24.5%	24.3%	24.0%	24.2%	24.1%	24.2%	24.0%	24.0%
Product development	3.4%	3.8%	4.0%	3.3%	3.8%	3.7%	3.8%	4.4%	4.3%	4.2%	4.2%	3.3%	3.1%
General and administrative	7.2%	9.7%	9.5%	8.5%	15.2%	10.8%	9.3%	8.5%	8.1%	8.8%	8.7%	8.0%	7.3%
Margins													
Gross margin	68.1%	66.9%	64.7%	66.8%	69.9%	67.2%	66.3%	65.0%	67.0%	69.5%	67.0%	67.5%	68.5%
Operating margin (on net revenue)	13.1%	10.8%	8.0%	11.3%	-0.7%	7.2%	10.2%	11.9%	14.8%	16.2%	13.3%	20.0%	23.7%
EBITDA (on net revenue)	26.9%	26.2%	24.8%	26.3%	29.0%	26.7%	26.4%	25.1%	27.5%	29.6%	27.2%	29.3%	31.4%
Oper. Lev./Flow-through (net)	-37.3%	56.8%	68.5%	46.8%	60.2%	-459.0%	27.1%	26.3%	36.4%	34.5%	30.0%	49.3%	51.4%

Source: J.P. Morgan estimates Company data.

Figure 49: RATE Revenue Analysis

	2012A	3/13A	6/13A	9/13A	12/13A	2013A	3/14A	6/14E	9/14E	12/14E	2014E	2015E	2016E
Total Revenue	457,164	108,448	105,546	121,178	122,260	457,432	136,475	132,052	137,075	138,583	544,184	601,936	665,066
Y/Y growth	7.8%	-13.3%	-13.6%	3.8%	31.1%	0.1%	25.8%	25.1%	13.1%	13.4%	19.0%	10.6%	10.5%
Q/Q growth		16.3%	-2.7%	14.8%	0.9%		12%	-3%	4%	1%			
CPM Advertising Revenue	32,790	8,705	8,645	8,980	9,360	35,690	10,620	10,460	10,027	10,399	41,506	44,453	48,063
Y/Y growth	26.0%	12.0%	1.0%	5.0%	18.4%	8.8%	22.0%	21.0%	11.7%	11.1%	16.3%	7.1%	8.1%
Q/Q growth		10.1%	-0.7%	3.9%	4.2%		13.5%	-1.5%	-4.1%	3.7%			
% of Total	7%	8%	8%	7%	8%	8%	8%	8%	7%	8%	8%	7%	7%
CPA Advertising Revenue	119,848	33,605	38,330	41,005	42,081	155,022	39,923	46,590	44,770	48,604	179,887	196,437	212,466
Y/Y growth	-18.2%	-16.8%	25.4%	80.3%	60.9%	29.3%	18.8%	21.6%	9.2%	15.5%	16.0%	9.2%	8.2%
Q/Q growth		28.5%	14.1%	7.0%	2.6%		(0.1)	0.2	(0.0)	0.1			
% of Total	26%	31%	36%	34%	34%	34%	29%	35%	33%	35%	33%	33%	32%
CPL Advertising Revenue	184,589	39,476	30,603	41,869	36,729	148,677	50,735	40,806	50,363	42,988	184,893	203,826	228,998
Y/Y growth	6.2%	-19.0%	-40.0%	-20.2%	13.4%	-19.5%	28.5%	33.3%	20.3%	17.0%	24.4%	10.2%	12.4%
Q/Q growth		21.9%	-22.5%	36.8%	-12.3%		0.4	(0.2)	0.2	(0.1)			
% of Total	40%	36%	29%	35%	30%	33%	37%	31%	37%	31%	34%	34%	34%
CPC Advertising Revenue	114,054	25,047	25,413	27,067	29,746	107,272	34,564	31,563	29,614	32,170	127,911	147,034	165,148
Y/Y growth	62.4%	-5.0%	-15.0%	-13.0%	11.5%	-5.9%	38.0%	24.2%	9.4%	8.2%	19.2%	15.0%	12.3%
Q/Q growth		-6.1%	1.5%	6.5%	9.9%		16.2%	-8.7%	-6.2%	8.6%			
% of Total	25%	23%	24%	22%	24%	23%	25%	24%	22%	23%	24%	24%	25%
Print/Other Revenue	5,883	1,615	2,555	2,257	4,344	10,770	633	2,632	2,302	4,422	9,988	10,187	10,391
Y/Y growth	-20.0%	-8.0%	21.9%	18.1%	3508.3%	83.1%	-60.8%	3.0%	2.0%	1.8%	-7.3%	2.0%	2.0%
Q/Q growth		1241.4%	58.2%	-11.7%	92.5%		(0.9)	3.2	(0.1)	0.9			
% of Total	1%	1%	2%	2%	4%	2%	0%	2%	2%	3%	2%	2%	2%

Source: J.P. Morgan estimates Company data.

Figure 50: TrueCar Income Statement

	2012A	1Q13A	2Q13A	3Q13A	4Q13A	2013A	1Q14A	2Q14E	3Q14E	4Q14E	2014E	2015E	2016E
Net Transaction Revenue	64.7	21.5	27.4	33.5	36.2	118.7	40.0	41.8	45.0	47.3	174.1	245.1	321.6
Data and Other	15.2	3.5	3.8	4.0	3.9	15.2	3.9	4.2	4.5	4.2	16.9	17.9	18.8
Revenue	79.9	25.0	31.2	37.5	40.1	134.0	43.9	46.0	49.5	51.5	191.0	263.0	340.4
Cost of Revenue	13.4	3.7	3.6	3.6	4.1	15.2	3.7	4.5	4.4	4.6	17.2	22.6	27.9
Gross Profit	66.5	21.3	27.6	33.9	36.0	118.8	40.3	41.5	45.1	46.9	173.8	240.4	312.5
Operating Expenses													
Sales & Marketing	66.8	12.9	14.3	19.7	22.2	69.0	23.6	24.5	27.6	29.0	104.7	143.4	178.7
Technology & Development	20.5	5.5	5.1	5.2	6.1	21.8	6.6	7.5	7.0	7.4	28.6	35.2	42.6
General & Administrative	25.7	5.6	5.6	6.7	7.9	25.9	9.2	8.7	8.2	8.6	34.6	38.6	44.3
Stock Based Compensation	10.3	1.6	2.0	2.0	3.8	9.3	4.1	5.9	7.0	7.1	24.1	24.0	28.9
Warrant Expense	2.0	0.4	0.9	1.6	0.9	3.7	2.3	3.5	2.7	2.7	11.2	6.9	6.9
Non-Recurring Expenses	1.4	0.0	0.0	0.0	0.0	0.1	0.8	3.0	-	-	3.8	-	-
Depreciation and Amortization	11.8	3.1	2.9	3.2	2.4	11.6	3.1	3.0	2.9	3.1	12.1	13.4	17.0
Total Operating Expenses	138.4	29.0	30.8	38.4	43.3	141.4	49.8	56.1	55.4	57.9	219.2	261.6	318.4
Operating Income	(72.0)	(7.7)	(3.2)	(4.5)	(7.3)	(22.6)	(9.5)	(14.6)	(10.3)	(11.0)	(45.4)	(21.2)	(5.9)
PF Operating Income	(53.8)	(4.6)	0.9	0.3	(1.6)	(5.0)	(1.2)	(1.1)	0.5	(0.2)	(2.0)	13.8	34.0
Amortization	4.5	1.1	1.1	1.1	1.1	4.4	1.0	1.0	1.0	1.0	4.2	4.1	4.1
Other (expense) income, net	(3.1)	(1.2)	(0.5)	(0.0)	(0.2)	(1.8)	0.0	-	-	-	0.0	-	-
Interest Expense on Revolver	-	-	-	-	-	-	(0.2)	(0.1)	(0.1)	(0.1)	(0.4)	(0.3)	(0.3)
Pre-tax income	(75.1)	(8.9)	(3.7)	(4.5)	(7.4)	(24.5)	(9.7)	(14.6)	(10.3)	(11.1)	(45.8)	(21.5)	(6.2)
Effective Tax Rate	1%	-2%	-4%	-3%	-2%	-2%	-3%	0%	0%	0%	-1%	0%	0%
Income taxes	0.6	(0.1)	(0.1)	(0.1)	(0.2)	(0.6)	(0.3)	-	-	-	(0.3)	-	-
GAAP Net Income	(74.5)	(9.0)	(3.8)	(4.6)	(7.6)	(25.1)	(9.9)	(14.6)	(10.3)	(11.1)	(46.0)	(21.5)	(6.2)
GAAP Basic EPS	(\$1.33)	(\$0.16)	(\$0.07)	(\$0.08)	(\$0.13)	(\$0.43)	(\$0.17)	(\$0.22)	(\$0.14)	(\$0.15)	(\$0.67)	(\$0.29)	(\$0.08)
GAAP Diluted EPS	(\$1.33)	(\$0.16)	(\$0.07)	(\$0.08)	(\$0.13)	(\$0.43)	(\$0.17)	(\$0.22)	(\$0.14)	(\$0.15)	(\$0.67)	(\$0.29)	(\$0.08)
Basic Shares Outstanding	55.8	56.1	57.5	59.5	60.9	58.5	60.1	67.7	72.2	72.9	68.2	75.1	77.4
Diluted Shares Outstanding	55.8	56.1	57.5	59.5	60.9	58.5	60.1	67.7	72.2	72.9	68.2	75.1	77.4
GAAP Net Income	(74.5)	(9.0)	(3.8)	(4.6)	(7.6)	(25.1)	(9.9)	(14.6)	(10.3)	(11.1)	(46.0)	(21.5)	(6.2)
Stock Based Compensation	10.3	1.6	2.0	2.0	3.8	9.3	4.1	5.9	7.0	7.1	24.1	24.0	28.9
Warrant Expense	2.0	0.4	0.9	1.6	0.9	3.7	2.3	3.5	2.7	2.7	11.2	6.9	6.9
Non-Recurring Expenses	1.4	0.0	0.0	0.0	0.0	0.1	0.8	3.0	-	-	3.8	-	-
Amortization	4.5	1.1	1.1	1.1	1.1	4.4	1.0	1.0	1.0	1.0	4.2	4.1	4.1
PF Net Income	(56.3)	(5.9)	0.2	0.1	(1.9)	(7.5)	(1.6)	(1.2)	0.4	(0.3)	(2.7)	13.5	33.7
PF Basic EPS	(\$0.10)	(\$0.10)	\$0.00	\$0.00	(\$0.03)	(\$0.13)	(\$0.03)	(\$0.02)	\$0.01	(\$0.00)	(\$0.04)	\$0.18	\$0.44
PF Diluted EPS	(\$0.10)	(\$0.10)	\$0.00	\$0.00	(\$0.03)	(\$0.13)	(\$0.03)	(\$0.02)	\$0.00	(\$0.00)	(\$0.04)	\$0.16	\$0.38
PF Basic Shares Outstanding	55.8	56.9	57.7	59.9	61.1	58.9	63.0	67.7	72.2	72.9	69.0	75.1	77.4
PF Diluted Shares Outstanding	55.8	56.9	57.7	59.9	61.1	58.9	63.0	67.7	72.2	72.9	69.0	75.1	77.4
EBITDA Calculation													
Other (expense) income, net	3.1	1.2	0.5	0.0	0.1	1.9	(0.0)	-	-	-	(0.0)	-	-
Depreciation and Amortization	11.8	3.1	2.9	3.2	2.4	11.6	3.1	3.0	2.9	3.1	12.1	13.4	17.0
Stock Based Compensation	10.3	1.6	2.0	2.0	3.8	9.3	4.1	5.9	7.0	7.1	24.1	24.0	28.9
Warrant Expense	2.0	0.4	0.9	1.6	0.9	3.7	2.3	3.5	2.7	2.7	11.2	6.9	6.9
Non-Recurring Items	1.4	0.0	0.0	0.0	0.0	0.1	0.8	3.0	-	-	3.8	-	-
Interest Expense on Revolver	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.1	0.1	0.1	0.4	0.3	0.3
Adjusted EBITDA	(46.5)	(2.6)	2.6	2.4	(0.3)	2.1	0.9	0.9	2.3	1.8	5.9	23.1	47.0
Cost of revenue	0.1	0.0	0.0	0.0	0.1	0.1	0.1	0.2	0.3	0.3	0.9	1.4	1.5
Sales & Marketing	1.6	0.5	0.6	0.6	0.9	2.6	1.0	1.5	1.8	1.8	6.1	8.0	8.4
Technology & Development	1.4	0.3	0.4	0.4	0.6	1.8	0.7	1.0	1.2	1.3	4.2	6.0	6.3
General & Administrative	7.2	0.7	1.0	1.0	2.2	4.9	2.3	3.2	3.7	3.7	12.9	15.2	16.0
Total Share-based compensation	10.3	1.6	2.0	2.0	3.8	9.3	4.1	5.9	7.0	7.1	24.1	30.6	32.1
Sales & Marketing	2.0	0.4	0.8	1.6	0.8	3.6	2.3	3.5	2.7	2.7	11.2	6.9	6.9
Technology & Development	-	-	0.1	-	0.0	0.1	-	-	-	-	-	-	-
General & Administrative	-	-	-	0.0	0.0	0.0	-	-	-	-	-	-	-
Total Warrant expense	2.0	0.4	0.9	1.6	0.9	3.7	2.3	3.5	2.7	2.7	11.2	6.9	6.9
Y/Y Growth	2012A	1Q13A	2Q13A	3Q13A	4Q13A	2013A	1Q14A	2Q14E	3Q14E	4Q14E	2014E	2015E	2016E
Net Transaction Revenue	NM	30%	105%	99%	102%	83%	86%	52%	34%	31%	47%	41%	31%
Data and Other	NM	-12%	-10%	12%	15%	0%	12%	12%	8%	8%	11%	6%	5%
Revenue	5%	22%	77%	84%	88%	68%	75%	47%	32%	28%	43%	38%	29%
Cost of Revenue	76%	15%	13%	5%	18%	13%	-2%	24%	22%	12%	14%	31%	23%
Gross Profit	-3%	23%	92%	100%	102%	79%	89%	51%	33%	30%	46%	38%	30%
Sales & Marketing	72%	-48%	-20%	81%	68%	3%	83%	71%	40%	31%	52%	37%	25%
Technology & Development	18%	-2%	-1%	7%	21%	6%	21%	48%	37%	21%	31%	23%	21%
General & Administrative	60%	-33%	-19%	21%	64%	1%	64%	55%	22%	8%	34%	12%	15%
Stock Based Compensation	66%	-72%	52%	26%	113%	-9%	163%	189%	256%	89%	158%	-1%	21%
Warrant Expense	-6%	-81%	-157%	NM	-42%	88%	511%	298%	66%	217%	200%	-38%	0%
Depreciation and Amortization	184%	13%	0%	16%	-30%	-2%	2%	6%	-11%	28%	5%	11%	27%
Total Operating Expenses	60%	-41%	-5%	50%	39%	2%	72%	82%	44%	34%	55%	19%	22%
Operating income	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM
PF Operating income	NM	NM	NM	NM	NM	NM	NM	NM	73%	NM	NM	NM	147%
GAAP Net Income	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM
GAAP Basic EPS	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM
GAAP Diluted EPS	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM
PF EPS	NM	NM	NM	NM	NM	NM	NM	NM	200%	NM	NM	NM	143%
PF EPS (full taxed)	NM	NM	NM	NM	NM	NM	NM	NM	161%	NM	NM	NM	143%
Adjusted EBITDA	NM	NM	NM	NM	NM	NM	NM	-67%	-4%	NM	175%	292%	103%
Margins (as % of Revenue)													
Cost of Revenue	16.8%	14.9%	11.7%	9.7%	10.3%	11.3%	8.3%	9.8%	8.9%	9.0%	9.0%	8.6%	8.2%
Gross Profit	83.2%	85.1%	88.3%	90.3%	89.7%	88.7%	91.7%	90.2%	91.1%	91.0%	91.0%	91.4%	91.8%
Sales & Marketing	83.6%	51.4%	45.7%	52.4%	55.3%	51.5%	53.7%	53.1%	55.7%	56.4%	54.8%	54.5%	52.5%
Technology & Development	25.7%	21.8%	16.2%	13.7%	15.3%	16.3%	15.1%	16.3%	14.2%	14.4%	15.0%	13.4%	12.5%
General & Administrative	32.1%	22.4%	18.0%	17.8%	19.8%	19.3%	20.9%	18.9%	16.5%	16.7%	18.1%	14.7%	13.0%
Stock Based Compensation	12.9%	6.3%	6.5%	5.2%	9.4%	7.0%	9.4%	12.8%	14.1%	13.8%	12.6%	9.1%	8.5%
Warrant Expense	2.5%	1.5%	2.8%	4.3%	2.1%	2.8%	5.3%	2.5%	2.5%	2.5%	5.9%	2.6%	2.0%
Depreciation and Amortization	14.7%	12.2%	9.2%	8.6%	6.0%	8.6%	7.1%	6.6%	5.8%	5.9%	6.3%	5.1%	5.0%
Operating income	-90.1%	-30.7%	-10.2%	-11.9%	-18.2%	-16.9%	-21.7%	-31.6%	-20.7%	-21.4%	-23.8%	-8.1%	-1.7%
PF Operating income	-67.3%	-18.4%	2.7%	0.7%	-3.9%	-3.8%	-2.7%	-2.4%	0.9%	-0.4%	-1.1%	5.2%	10.0%
Adjusted EBITDA	-58.2%	-10.5%	8.4%	6.4%	-0.7%	1.6%	2.0%	1.9%	4.7%	3.5%	3.1%	8.8%	13.8%

Source: J.P. Morgan estimates Company data.

Figure 51: TrueCar Revenue Analysis

	2012A	1Q13A	2Q13A	3Q13A	4Q13A	2013A	1Q14A	2Q14E	3Q14E	4Q14E	2014E	2015E	2016E
Net Funnel Efficiency													
Average Monthly Unique Visitors (000s)	1,659	2,185	2,441	3,201	3,296	2,781	3,936	4,273	4,578	4,779	4,391	6,104	7,752
Y/Y Growth %		14.7%	66.7%	107.7%	90.8%	67.6%	80.2%	75.0%	43.0%	45.0%	57.9%	39.0%	27.0%
Q/Q Growth %		26.5%	11.8%	31.1%	2.9%		19.4%	8.6%	7.2%	4.4%			
Units (000s)	222.7	72.9	96.6	116.5	113.9	399.9	126.0	137.2	148.3	153.4	564.9	779.4	1,004.7
Y/Y Growth %	-7.0%	22.6%	99.6%	114.8%	88.0%	79.6%	72.9%	42.0%	27.3%	34.6%	41.2%	38.0%	28.9%
Q/Q Growth %		20.3%	32.6%	20.6%	-2.2%		10.6%	8.9%	8.2%	3.4%			
Seasonality		18.2%	24.2%	29.1%	28.5%		22.3%	24.3%	26.3%	27.2%			
Net Funnel Efficiency	1.12%	1.11%	1.32%	1.21%	1.15%	1.20%	1.07%	1.07%	1.08%	1.07%	1.07%	1.06%	1.08%
Monetization	291	295	284	288	318	297	317	305	304	308	308	314	320
Y/Y Growth %		6.3%	2.6%	-7.3%	7.4%	2.1%	7.3%	7.3%	5.5%	-3.0%	3.8%	2.0%	1.8%
Q/Q Growth %		1.5%	-3.9%	1.4%	10.4%		6.7%	-3.9%	-0.3%	1.5%			
Sales and Marketing per Unit	\$300	\$177	\$148	\$169	\$195	\$173	\$187	\$178	\$186	\$189	\$185	\$184	\$178
Contribution per unit (Monetization less S&M)	(\$9)	\$119	\$136	\$119	\$123	\$124	\$130	\$126	\$118	\$119	\$123	\$130	\$142
Y/Y Growth %		NM	NM	8.1%	57.3%	NM	9.3%	-7.2%	-1.2%	-3.4%	-1.2%	6.2%	9.0%
Transaction revenue	64.7	21.5	27.4	33.5	36.2	118.8	40.0	41.8	45.0	47.3	174.1	245.1	321.6
Y/Y Growth %		30.3%	104.7%	99.1%	102.0%	83.6%	85.8%	52.3%	34.3%	30.6%	46.6%	40.7%	31.2%
Q/Q Growth %		20.0%	27.5%	22.2%	8.0%		10.4%	4.5%	7.8%	5.0%			
% of Total Revenue	81.0%	85.9%	87.9%	89.3%	90.2%	88.7%	91.0%	90.8%	90.9%	91.8%	91.1%	93.2%	94.5%
Seasonality		18.1%	23.1%	28.2%	30.5%		23.0%	24.0%	25.9%	27.2%			
Data and other revenue	15.2	3.5	3.8	4.0	3.9	15.2	3.9	4.2	4.5	4.2	16.9	17.9	18.8
Y/Y Growth %		-11.6%	-9.9%	11.7%	15.2%	0.4%	11.9%	12.0%	12.0%	8.0%	10.9%	6.0%	5.0%
Q/Q Growth %		3.2%	7.6%	5.9%	-2.0%		0.2%	7.7%	5.9%	-5.5%			
% of Total Revenue	19.0%	14.1%	12.1%	10.7%	9.8%	11.4%	9.0%	9.2%	9.1%	8.2%	8.9%	6.8%	5.5%
Seasonality		23.1%	24.8%	26.3%	25.8%		23.3%	25.1%	26.5%	25.1%			
Data and other revenue per franchise	2,862	599	613	634	591	2,292	546	572	591	532	2,119	2,042	2,042
Total Revenue	79.9	25.0	31.2	37.5	40.1	134.0	43.9	46.0	49.5	51.5	191.0	263.0	340.4
Y/Y Growth %		22.1%	77.4%	83.7%	88.1%	67.7%	75.4%	47.4%	31.9%	28.4%	42.6%	37.7%	29.4%
Q/Q Growth %		17.3%	24.7%	20.3%	6.9%		9.4%	4.8%	7.6%	4.0%			
Seasonality		18.7%	23.3%	28.0%	30.0%		23.0%	24.1%	25.9%	27.0%			

Source: J.P. Morgan estimates Company data.

Figure 52: Chegg Income Statement

	2012A	3/13A	6/13A	9/13A	12/13A	2013A	3/14A	6/14E	9/14E	12/14E	2014E	2015E	2016E
Bookings	217.1	85.9	23.3	106.9	40.8	256.9	112.3	32.6	135.1	55.5	335.5	426.9	532.2
Print Textbooks	185.2	50.3	43.7	48.6	60.5	203.1	56.6	44.4	56.0	66.7	223.8	260.3	302.2
Non-Print Products & Services	28.2	10.7	12.1	13.0	16.7	52.5	17.8	20.0	24.3	31.7	93.8	141.5	218.7
Total Net Revenue	213.3	61.0	55.9	61.6	77.1	255.6	74.4	64.4	80.3	98.4	317.6	401.7	520.9
Cost of net revenues	145.1	49.3	29.5	58.3	36.8	173.9	65.3	41.2	75.0	49.4	230.9	263.9	320.4
Gross profit (loss)	68.2	11.7	26.4	3.3	40.3	81.7	9.1	23.2	5.4	49.0	86.7	137.8	200.6
Operating Expenses													
Technology and development (ex SBC)	31.7	7.9	8.1	8.5	8.1	32.5	8.9	9.4	10.4	9.3	37.9	41.0	45.9
Sales and marketing (ex SBC)	45.9	12.7	8.2	13.7	8.6	43.2	13.7	8.9	14.8	12.8	50.2	56.2	65.1
General and administrative (ex SBC)	20.4	5.4	6.0	4.6	5.2	21.2	6.8	6.8	5.8	5.6	25.0	27.6	30.3
Loss (gain) on liquidation of textbooks	(2.6)	(2.3)	1.7	(2.4)	1.8	(1.2)	(1.7)	-	-	-	(1.68)	-	-
Stock Based Compensation	18.0	4.1	3.9	3.9	25.1	37.0	6.9	7.9	6.4	8.8	30.0	32.1	41.7
Total Operating Expenses	113.5	27.9	27.9	28.2	48.8	132.7	34.7	32.9	37.3	36.4	141.4	156.9	183.0
GAAP Operating Income	(45.3)	(16.2)	(1.5)	(24.9)	(8.5)	(51.0)	(25.6)	(9.8)	(31.9)	12.6	(54.7)	(19.1)	17.5
PF Operating Income	(20.3)	(10.5)	3.6	(20.1)	17.2	(9.8)	(18.1)	(0.9)	(24.5)	22.4	(21.1)	17.7	64.8
Interest Expense	(4.4)	(1.2)	(1.2)	(1.3)	(0.2)	(3.8)	(0.1)	(0.3)	(0.3)	(0.3)	(0.9)	0.0	0.0
Other income (expense), net	0.6	(0.3)	(0.6)	(2.8)	3.3	(0.4)	0.1	0.0	0.0	0.0	0.1	0.1	0.1
Pre-Tax Income	(49.0)	(17.6)	(3.2)	(29.1)	(5.3)	(55.2)	(25.5)	(10.0)	(32.2)	12.3	(55.4)	(19.0)	17.7
Provision (benefit) for income taxes	0.0	0.2	0.2	0.2	0.1	0.6	0.2	0.4	0.2	0.1	1.0	6.7	6.5
Tax-Rate GAAP	-0.1%	-1.0%	-4.7%	-0.7%	-1.9%	-1.2%	-0.8%	-4.4%	-0.6%	0.9%	-1.8%	-35.0%	37.0%
GAAP Net Income	(49.0)	(17.8)	(3.4)	(29.3)	(5.4)	(55.9)	(25.8)	(10.5)	(32.4)	12.2	(56.4)	(25.7)	11.1
Deemed dividend to Preferred	0.0	-	-	-	103	102.6	-	-	-	-	-	-	-
GAAP Net Income attributable to common s	(49.0)	(17.8)	(3.4)	(29.3)	(108.0)	(158.4)	(25.8)	(10.5)	(32.4)	12.2	(56.4)	(25.7)	11.1
Basic income (loss) per share	(\$4.39)	(\$1.49)	(\$0.27)	(\$2.27)	(\$2.36)	(\$7.58)	(\$0.31)	(\$0.12)	(\$0.38)	\$0.14	(\$0.67)	(\$0.29)	\$0.12
Diluted income (loss) per share	(\$4.39)	(\$1.49)	(\$0.27)	(\$2.27)	(\$2.36)	(\$7.58)	(\$0.31)	(\$0.12)	(\$0.38)	\$0.14	(\$0.67)	(\$0.29)	\$0.12
Basic shares outstanding	11.2	12.0	12.6	12.9	45.8	20.9	82.2	83.8	85.5	87.2	84.7	89.0	91.6
Diluted shares outstanding	11.2	12.0	12.6	12.9	45.8	20.9	82.2	83.8	85.5	87.2	84.7	89.0	91.6
PF Net Income Reconciliation:													
Net Income (Loss)	(49.0)	(17.8)	(3.4)	(29.3)	(5.4)	(55.9)	(25.8)	(10.5)	(32.4)	12.2	(56.4)	(25.7)	11.1
SBC	18.0	4.1	3.9	3.9	25.1	37.0	6.9	7.9	6.4	8.8	30.0	32.1	41.7
Amortization of Intangibles	6.9	1.5	1.2	1.0	0.6	4.3	0.6	1.0	1.0	1.0	3.6	4.7	5.6
Tax Effect	0.0	0.2	0.2	0.2	0.1	0.6	0.2	0.4	0.2	0.1	1.0	6.7	6.5
PF Net Income	(24.0)	(12.0)	1.9	(24.2)	20.4	(14.0)	(18.0)	(1.1)	(24.8)	22.1	(21.9)	17.8	65.0
PF basic income (loss) per share	(\$0.37)	(\$1.00)	\$0.15	(\$1.88)	\$0.44	(\$0.67)	(\$0.22)	(\$0.01)	(\$0.29)	\$0.25	(\$0.26)	\$0.20	\$0.71
PF diluted income (loss) per share	(\$0.37)	(\$1.00)	\$0.15	(\$1.88)	\$0.41	(\$0.67)	(\$0.22)	(\$0.01)	(\$0.29)	\$0.25	(\$0.26)	\$0.20	\$0.71
PF Basic shares outstanding	65.0	12.0	12.6	12.9	45.8	20.8	82.2	83.8	85.5	87.2	84.7	89.0	91.6
PF Diluted shares outstanding	65.0	12.0	12.6	12.9	50.2	21.9	82.2	83.8	85.5	87.2	84.7	89.0	91.6
PF EBITDA Reconciliation:													
GAAP Operating Income	(45.3)	(16.2)	(1.5)	(24.9)	(8.5)	(51.0)	(25.6)	(9.8)	(31.9)	12.6	(54.7)	(19.1)	17.5
SBC	18.0	4.1	3.9	3.9	25.1	37.0	6.9	7.9	6.4	8.8	30.0	32.1	41.7
Textbook library depreciation expense	57.2	16.5	14.4	14.5	19.5	64.8	20.1	18.9	21.4	21.3	81.7	85.5	94.3
Other depreciation and amortization expense	10.8	2.9	2.7	2.5	2.0	10.1	2.0	2.6	4.0	3.9	12.6	20.1	26.0
Impairment of intangible assets	0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Adjusted EBITDA excl. book depreciation	41.3	7.4	19.5	(4.1)	38.1	60.8	3.5	19.6	(0.1)	46.6	69.6	118.6	179.6
Textbook library depreciation expense	57.2	16.5	14.4	14.5	19.5	64.8	20.1	18.9	21.4	21.3	81.7	85.5	94.3
Adjusted EBITDA incl. book depreciation	(15.8)	(9.1)	5.1	(18.6)	18.6	(4.0)	(16.6)	0.7	(21.5)	25.3	(12.1)	33.1	85.3
Y/Y GROWTH													
Print Textbooks	15%	15%	16%	7%	3%	10%	13%	2%	15%	10%	10%	16%	16%
Non-print products & services	142%	120%	94%	78%	70%	86%	66%	65%	87%	90%	79%	51%	55%
Total Net Revenue	24%	26%	27%	17%	13%	20%	22%	15%	30%	28%	24%	26%	30%
Cost of net revenues	15%	20%	14%	17%	29%	20%	32%	40%	29%	34%	33%	14%	21%
Technology and development (ex SBC)	23%	7%	7%	1%	-3%	3%	13%	16%	23%	15%	17%	8%	12%
Sales and marketing (ex SBC)	81%	-15%	3%	-4%	-1%	-6%	8%	8%	8%	49%	16%	12%	16%
General and administrative (ex SBC)	40%	15%	5%	-2%	-2%	4%	27%	13%	25%	7%	18%	11%	10%
Stock Based Compensation	37%	1%	-25%	0%	416%	105%	67%	104%	66%	-65%	-19%	7%	30%
Total Operating Expenses	39%	-8%	8%	2%	65%	17%	24%	18%	32%	-25%	7%	11%	17%
Operating Income	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM
PF Operating Income	NM	NM	NM	NM	4%	NM	NM	-124%	NM	30%	NM	NM	267%
GAAP Net Income	NM	NM	NM	NM	-166%	NM	NM	NM	NM	NM	NM	NM	NM
GAAP basic income (loss) per share	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM
GAAP diluted income (loss) per share	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM
PF Net Income	NM	NM	NM	NM	37%	NM	NM	-160%	NM	8%	NM	NM	265%
PF basic income (loss) per share	NM	NM	NM	NM	-67%	NM	NM	-109%	NM	-43%	NM	NM	254%
PF diluted income (loss) per share	NM	NM	NM	NM	-70%	NM	NM	-109%	NM	-38%	NM	NM	254%
Adjusted EBITDA excl. book depreciation	6%	NM	48%	NM	8%	47%	-53%	1%	NM	23%	14%	70%	51%
Adjusted EBITDA incl. book depreciation	NM	NM	5070%	NM	0.4%	NM	NM	-86%	NM	36%	NM	NM	158%
% of Revenue													
Print Textbooks	87%	82%	78%	79%	78%	79%	76%	69%	70%	68%	70%	65%	58%
Non-Print products & services	13%	18%	22%	21%	22%	21%	24%	31%	30%	32%	30%	35%	42%
Cost of net revenues	68%	81%	53%	95%	48%	68%	88%	64%	93%	50%	73%	66%	62%
Technology and development (ex SBC)	15%	13%	14%	14%	10%	13%	12%	15%	13%	9%	12%	10%	9%
Sales and marketing (ex SBC)	22%	21%	15%	22%	11%	17%	18%	14%	18%	13%	16%	14%	13%
General and administrative (ex SBC)	10%	9%	11%	7%	7%	8%	9%	11%	7%	6%	8%	7%	6%
Stock Based Compensation	8%	7%	7%	6%	33%	14%	9%	12%	8%	9%	9%	8%	8%
Total Operating Expenses	53%	46%	50%	46%	63%	52%	47%	51%	46%	37%	45%	39%	35%
Textbook library depreciation expense	27%	27%	26%	23%	25%	25%	27%	29%	27%	22%	26%	21%	18%
Margins													
Gross Margin	32%	19%	47%	5%	52%	32%	12%	36%	7%	50%	27%	34%	39%
Operating Margin	-21%	-27%	-3%	-40%	-11%	-20%	-34%	-15%	-40%	13%	-17%	-5%	3%
PF Operating Margin	-10%	-17%	6%	-33%	22%	-4%	-24%	-1%	-31%	23%	-7%	4%	12%
PF Net Margin	-11%	-20%	3%	-39%	26%	-5%	-24%	-2%	-31%	22%	-7%	4%	12%
Adjusted EBITDA Margin excl. book depreci	19%	12.1%	35%	-7%	49.3%	24%	4.6%	30.4%	-0.2%	47.4%	22%	30%	34%
Adjusted EBITDA Margin incl. book depreci	-7%	-14.9%	9%	-30%	24.1%	-2%	-22.4%	1.1%	-26.8%	25.7%	-4%	8%	16%

Source: J.P. Morgan estimates Company data.

Figure 53: Chegg Revenue Analysis

	2011A	2012A	3/13A	6/13A	9/13A	12/13A	2013A	3/14A	6/14E	9/14E	12/14E	2014E	2015E	2016E
PRINT TEXTBOOKS														
Total Print Textbook Units	3.7	4.5	1.9	0.5	2.5	0.5	5.37	2.4	0.6	2.9	0.6	6.46	7.40	8.4
Y/Y Growth	8%	21%	20%	16%	17%	31%	19%	28%	22%	15%	14%	20%	15%	14%
Rental														
Rental Units	3.40	4.09	1.70	0.41	2.33	0.50	4.95	2.18	0.50	2.63	0.56	5.87	6.73	7.84
Y/Y Growth	8%	20%	20%	16%	20%	35%	21%	28%	22%	13%	12%	19%	15%	17%
% of Total Print Units	91%	91%	91%	91%	93%	93%	92%	91%	91%	91%	91%	91%	91%	93%
Rental ARP	\$45.50	\$39.25	\$37.50	\$36.50	\$36.00	\$35.50	\$36.38	\$33.00	\$33.00	\$34.00	\$34.00	\$33.50	\$33.30	\$34.50
Rental Bookings	154.9	165.6	63.9	15.0	83.9	17.7	180.6	72.0	16.6	89.5	19.0	197.1	224.2	270.6
Y/Y Growth	17%	7%	13%	6%	5%	20%	9%	13%	10%	7%	7%	9%	14%	21%
Print Textbooks Deferred Revenue	10.2	5.3	20.9	(27.0)	46.8	(40.3)	0.4	28.3	(24.4)	51.8	(43.9)	11.8	11.2	6.8
Y/Y Growth	17%	7%	13%	6%	5%	20%	9%	13%	10%	7%	7%	9%	14%	21%
as % of Bookings	7%	3%	33%	-179%	56%	-227%	0%	39%	-147%	58%	-231%	6%	5%	3%
Seasonality			35%	8%	46%	10%		37%	8%	45%	10%			
Rental Revenue	144.7	160.3	43.0	42.0	37.1	58.0	180.1	43.7	40.9	37.8	62.9	185.3	213.0	263.9
Y/Y Growth	NA	11%	23%	18%	11%	3%	12%	2%	-2%	2%	8%	3%	15%	24%
as % of Print Textbook Bookings	85%	84%	60%	250%	39%	288%	89%	50%	204%	35%	275%	78%	78%	85%
as % of Print Textbook Revenue	90%	87%	85%	96%	76%	96%	89%	77%	92%	67%	94%	83%	82%	87%
Seasonality		100%	24%	23%	21%	32%	100%	24%	22%	20%	34%	100%		
Sales														
Sales Units	0.26	0.38	0.11	0.03	0.18	0.04	0.35	0.22	0.05	0.26	0.06	0.58	0.67	0.59
Y/Y Growth	8%	46%	-15%	-18%	-4%	8%	-8%	92%	83%	48%	47%	65%	15%	-11%
% of Total Print Units	7%	9%	6%	6%	7%	7%	7%	9%	9%	9%	9%	9%	9%	7%
Sales ASP	\$60.00	\$65.00	\$65.00	\$65.00	\$65.00	\$65.00	\$65.00	\$75.00	\$70.00	\$70.00	\$70.00	\$71.25	\$71.00	\$65.00
Sales Bookings and Revenue	15.7	24.9	7.3	1.8	11.4	2.4	22.9	16.2	3.5	18.2	3.9	41.8	47.3	38.4
Y/Y Growth	18%	59%	-15%	-18%	-4%	8%	-8%	122%	97%	60%	58%	82%	13%	-19%
as % of Print Textbook Bookings	9%	13%	10%	11%	12%	12%	11%	18%	17%	17%	17%	17%	17%	12%
as % of Print Textbook Revenue	10%	13%	15%	4%	24%	4%	11%	29%	8%	33%	6%	19%	18%	13%
Seasonality			32%	8%	50%	11%		39%	8%	44%	9%			
Total Print Textbook Bookings	170.6	190.5	71.2	16.8	95.4	20.2	203.5	88.1	20.1	107.8	22.9	238.8	271.5	309.0
Y/Y Growth	17%	12%	9%	3%	4%	18%	7%	24%	19%	13%	13%	17%	14%	14%
Q/Q Growth			417%	24%	568%	21%		437%	23%	537%	21%			
% of Chegg Bookings	93%	88%	83%	72%	89%	49%	79%	78%	62%	80%	41%	71%	64%	58%
Seasonality		100%	35%	8%	47%	10%	100%	37%	8%	45%	10%	100%		
Print Deferred Revenue	10.2	5.3	20.9	(27.0)	46.8	(40.3)	0.4	28.3	(24.4)	51.8	(43.9)	11.8	11.2	6.8
Total Print Textbook Revenue	160.4	185.2	50.3	43.7	48.6	60.5	203.1	56.6	44.4	56.0	66.7	223.8	260.3	302.2
Y/Y Growth	7.9%	15.4%	15.2%	16.1%	7.2%	3.3%	9.7%	12.5%	1.5%	15.3%	10.4%	10.2%	16.3%	16.1%
Q/Q Growth			86%	87%	111%	124%		28%	78%	126%	119%			
% of Revenue	93%	87%	82%	78%	79%	78%	79%	76%	69%	70%	68%	70%	65%	58%
Seasonality		100%	25%	22%	24%	30%	100%	25%	20%	25%	30%	100%		
NON-PRINT PRODUCTS AND SERVICES														
eTextbooks														
eTextbook Units	0.01	0.09	0.09	0.02	0.10	0.03	0.24	0.18	0.03	0.20	0.06	0.46	0.9	1.57
Y/Y Growth	NA	NA	140%	200%	160%	160%	154%	100%	80%	90%	120%	97%	91%	78%
eTextbook Average Price	\$55.00	\$53.62	\$54.54	\$54.06	\$54.00	\$52.00	\$53.65	\$51.81	\$51.36	\$51.30	\$52.00	\$51.62	\$46.46	\$44.13
Y/Y Growth	NA	-3%	1%	6%	0%	0%	0%	-5%	-5%	-5%	0%	-4%	-10%	-5%
eTextbook Bookings	0.6	5.0	5.0	0.8	5.6	1.4	12.8	9.5	1.4	10.1	3.0	23.9	41.1	69.5
Y/Y Growth	NA	807%	142%	218%	160%	160%	156%	90%	71%	81%	120%	88%	72%	69%
% of Non-Print Bookings	4%	19%	34%	12%	49%	7%	24%	39%	11%	37%	9%	24.8%	26%	31%
Seasonality		100%	39%	6%	44%	11%	100%	39%	6%	42%	12%	100%		
Subscription Services														
Digital Services Subscriptions	0.21	0.32	0.40	0.43	0.43	0.46	0.464	0.52	0.56	0.61	0.67	0.668	0.942	1.21
Y/Y Growth	NA	55%	65%	64%	43%	45%	45%	32%	32%	42%	44%	44%	41%	28%
Net Adds	0.11	0.11	0.08	0.03	0.00	0.03	0.14	0.06	0.04	0.05	0.06	0.20	0.27	0.26
Avg Booking/Net Add			\$68.93	\$68.93	\$68.93	\$78.00		\$75.00	\$75.00	\$75.00	\$75.00		\$89.50	\$93.98
Net Add Bookings	8.0	8.0	5.2	2.1	0.2	2.7	10.2	4.4	3.0	3.6	4.3	15.3	24.5	24.8
Renewal Bookings/Other	8.6	8.6	2.6	3.2	3.7	5.8	15.3	6.0	6.8	7.0	8.5	28.4	40.1	59.4
Avg Booking/Existing Subscriber			\$8.00	\$8.20	\$8.70	\$13.50		\$13.00	\$13.00	\$12.50	\$14.00		\$60.00	\$63.00
Subscription Bookings	11.3	16.6	7.8	5.3	4.0	8.5	25.6	10.4	9.8	10.6	12.9	43.7	64.6	84.1
Y/Y Growth	NA	47%	86%	58%	-26%	130%	54%	34%	84%	168%	52%	71%	48%	30%
% of Non-Print Bookings	92%	63%	53%	82%	34%	41%	48%	43%	78%	39%	39%	45%	42%	38%
Seasonality		100%	31%	21%	15%	33%	100%	24%	22%	24%	29%	100%	100%	100%
Avg Booking/Subscriber (new & existing)	\$54.85	\$51.96	\$19.69	\$12.53	\$9.20	\$18.23	\$55.08	\$19.96	\$17.42	\$17.39	\$19.25	\$65.44	\$68.58	\$69.78
Y/Y Growth	NA	-5%	13%	-4%	-49%	59%	6%	1%	39%	89%	6%	19%	5%	2%
Enrollment Marketing Solutions														
Enrollment Marketing Institutions	60.0	770	640	704	854	875	875	883	908	1,102	1,243	1,243	1,590	1,861
Y/Y Growth	NA	1183%	28%	28%	33%	14%	14%	38%	29%	29%	42%	42%	28%	17%
Avg Bookings Per Institution (per period)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.01	\$0.01	\$0.00	\$0.00	\$0.00	\$0.01	\$0.02	\$0.02	\$0.02
Y/Y Growth	NA	262%	80%	70%	70%	350%	238%	80%	150%	150%	9%	35%	20%	5%
Enrollment Marketing Bookings	0.1	2.8	1.2	0.2	1.5	7.9	10.7	2.9	0.8	4.7	12.2	20.5	31.5	38.5
Y/Y Growth	NA	NA	130%	117%	127%	411%	284%	148%	223%	223%	55%	91%	54%	22%
Q/Q Growth			75%	21%	607%	542%		27%	27%	607%	260%			
% of Non-Print Bookings	0%	10%	8%	4%	13%	38%	20%	12%	6%	17%	37%	21%	20%	17%
Seasonality			11%	2%	14%	73%		14%	4%	23%	59%			
Brand Partnerships														
Brand Partnerships Bookings	0.4	2.2	0.7	0.1	0.5	2.9	4.3	1.4	0.5	1.9	4.7	8.5	18.3	31.1
Y/Y Growth	NA	410%	65%	200%	60%	110%	99%	90%	300%	250%	60%	96%	115%	70%
% of Non-Print Bookings	3%	8%	5%	2%	5%	14%	8%	6%	4%	7%	14%	9%	12%	14%
Seasonality			17%	3%	12%	67%		17%	6%	22%	55%			
Total Non-Print Bookings	12.3	26.6	14.7	6.5	11.6	20.6	53.4	24.2	12.5	27.3	32.7	96.7	155.5	223.2
Y/Y Growth	NA	115%	104%	74%	36%	189%	101%	65%	92%	136%	59%	81%	61%	44%
Q/Q Growth			-45%	-55%	77%	78%		-55%	-48%	118%	20%			
% of Chegg Bookings	7%	12%	17%	28%	11%	51%	21%	22%	38%	20%	59%	29%	36%	42%
Non-Print Deferred Revenue	0.7	(1.6)	3.9	(5.6)	(1.5)	3.9	0.9	6.4	(7.5)	3.0	1.0	2.9	14.0	4.5
% of Non-Print Bookings	6%	6%	27%	-85%	-13%	19%	2%	26%	-60%	11%	3%	3%	9%	2%
Total Non-Print Revenue	11.6	28.2	10.7	12.1	13.0	16.7	52.5	17.8	20.0	24.3	31.7	93.8	141.5	218.7
Y/Y Growth	4321%	142%	120%	94%	78%	70%	86%	66%	65%	87%	90%	79%	51%	55%
Q/Q Growth			10%	13%	8%	28%		7%	12%	22%	30%			
% of Total Revenue	7%	13%	18%	22%	21%	22%	21%	24%	31%	30%	32%	30%	35%	42%
Seasonality		100%	20%	23%	25%	32%	100%	19%	21%	26%	34%	100%		
TOTAL CHEGG BOOKINGS														
Y/Y Growth	NA	19%	18%	16%	7%	68%	18%	31%	40%	26%	36%	31%	27%	25%
Q/Q Growth			255%	-73%	359%	-62%		175%	-71%	315%	-59%			
Seasonality	100%	100%	33%	9%	42%	16%	100%	33%	10%	40%	17%	100%	100%	100%
Deferred Revenue	10.9	3.8	24.8	-32.5	45.3	-36.3	1.3	37.9	-31.9	54.8	-42.9	17.9	25.2	11.2
TOTAL CHEGG REVENUE	172.0	213.3	61.0	55.9	61.6	77.1	255.6	74.4	64.4	80.3	98.4	317.6	401.7	520.9
Y/Y Growth	16%	24%	26%	27%	17%	13%	20%	22%	15%	30%	28%	24%	26%	30%
Q/Q Growth			26%	-8%	10%	25%		22%	-13%	25%	23%			
Revenue as % of Bookings	94%	98%	71%	240%	58%	189%	99%	66%	198%	59%	177%	95%	94%	98%
Seasonality	100%	100%	24%	22%	24%	30%	100%	23%	20%	25%	31%	100%		

Figure 54: Everyday Health Income Statement

(in \$ thousands, except per share data)	2012A	1Q13A	2Q13A	3Q13A	4Q13A	2013A	1Q14A	2Q14E	3Q14E	4Q14E	2014E	2015E	2016E
Revenue	138,492	30,504	37,198	35,054	53,094	155,850	37,505	40,887	41,541	60,157	180,090	206,985	238,087
Cost of Revenue	40,543	9,835	10,826	9,620	13,057	43,338	11,421	11,080	10,655	13,656	46,812	53,609	61,903
Gross Profit	97,949	20,669	26,372	25,434	40,037	112,512	26,084	29,807	30,886	46,502	133,278	153,376	176,184
Operating Expenses													
Sales and Marketing	38,050	8,915	11,749	10,654	12,465	43,783	10,696	10,815	10,925	12,814	45,249	47,400	50,951
Product Development	44,885	10,187	10,765	10,436	12,017	43,405	9,759	10,201	11,008	12,152	43,120	48,021	52,379
General and Administrative	23,686	6,206	5,720	5,973	7,550	25,449	6,053	5,867	6,065	7,730	25,715	28,150	29,761
Stock-based Compensation	3,532	452	517	869	1,131	2,969	1,069	1,840	1,786	1,865	6,560	7,037	7,619
Total Operating Expenses	110,153	25,760	28,751	27,932	33,163	115,606	27,577	28,723	29,785	34,560	120,645	130,608	140,709
Operating income	(12,204)	(5,091)	(2,379)	(2,498)	6,874	(3,094)	(1,493)	1,084	1,101	11,941	12,633	22,768	35,475
PF Operating income	(8,672)	(4,639)	(1,862)	(1,629)	8,005	(125)	(424)	2,923	2,887	13,806	19,193	29,806	43,094
Other (expense) income, net	(5,967)	(2,129)	(2,015)	(2,125)	(2,532)	(8,801)	(5,977)	(8,869)	(785)	(645)	(16,276)	(2,500)	(2,360)
Pre-tax income	(18,171)	(7,220)	(4,394)	(4,623)	4,342	(11,895)	(7,470)	(7,785)	316	11,296	(3,643)	20,268	33,115
Income taxes	1,026	264	247	311	280	1,102	289	260	277	280	1,106	1,257	1,590
Effective Tax Rate	-6%	-4%	-6%	-7%	6%	-9%	-4%	0%	0%	2%	14%	6%	5%
GAAP Net Income (Continuing Ops)	(19,197)	(7,484)	(4,641)	(4,934)	4,062	(12,997)	(7,759)	(8,045)	39	11,016	(4,749)	19,012	31,525
GAAP EPS (Continuing Ops) Basic	(\$4.01)	(\$1.52)	(\$0.92)	(\$0.95)	\$0.78	(\$2.55)	(\$1.44)	(\$0.26)	\$0.00	\$0.35	(\$0.19)	\$0.59	\$0.96
GAAP EPS (Continuing Ops) Diluted	(\$4.01)	(\$1.52)	(\$0.92)	(\$0.95)	\$0.16	(\$2.55)	(\$1.44)	(\$0.26)	\$0.00	\$0.33	(\$0.18)	\$0.55	\$0.88
Basic Shares Outstanding	4,791	4,925	5,030	5,214	5,239	5,103	5,404	30,430	30,735	31,042	24,403	31,973	32,933
Diluted Shares Outstanding	4,791	4,925	5,030	5,214	25,976	5,103	5,404	32,930	33,259	33,592	26,296	34,599	35,637
Loss from Discontinued Ops	(3,257)	(1,745)	(1,596)	(397)	(1,501)	(5,239)	-	-	-	-	-	-	-
GAAP Net Income	(22,454)	(9,229)	(6,237)	(5,331)	2,561	(18,236)	(7,759)	(8,045)	39	11,016	(4,749)	19,012	31,525
GAAP EPS Basic	(\$4.69)	(\$1.87)	(\$1.24)	(\$1.02)	\$0.49	(\$3.57)	(\$1.44)	(\$0.26)	\$0.00	\$0.35	(\$0.19)	\$0.59	\$0.96
GAAP EPS Diluted	(\$4.69)	(\$1.87)	(\$1.24)	(\$1.02)	\$0.10	(\$3.57)	(\$1.44)	(\$0.26)	\$0.00	\$0.35	(\$0.18)	\$0.55	\$0.88
PF Net Income	(13,096)	(6,147)	(2,129)	(3,164)	8,188	(3,252)	(2,493)	1,873	1,825	12,835	11,404	25,613	38,778
PF EPS Basic	(\$2.73)	(\$1.25)	(\$0.42)	(\$0.61)	\$0.32	(\$0.64)	(\$0.08)	\$0.06	\$0.06	\$0.41	\$0.37	\$0.80	\$1.18
PF EPS Diluted	(\$2.73)	(\$1.25)	(\$0.42)	(\$0.61)	\$0.34	(\$0.14)	(\$0.08)	\$0.06	\$0.05	\$0.38	\$0.35	\$0.74	\$1.09
PF Weighted Average Shares Out (Basic)	4,791	23,710	23,847	23,710	23,847	23,710	29,950	30,430	30,735	31,042	30,539	31,973	32,933
PF Weighted Average Shares Out (Diluted)	4,791	23,710	23,847	23,710	23,847	23,710	29,950	32,930	33,259	33,592	32,433	34,599	35,637
EBITDA Calculation													
GAAP Net Income (Continuing Ops)	(19,197)	(7,484)	(4,641)	(4,934)	4,062	(12,997)	(7,759)	(8,045)	39	11,016	(4,749)	19,012	31,525
Income taxes	1,026	264	247	311	280	1,102	289	260	277	280	1,106	1,257	1,590
Depreciation and Amortization	14,602	3,920	3,897	4,058	3,575	15,450	3,558	3,721	3,863	3,970	15,112	15,938	16,190
Interest Expense net	4,898	2,129	2,015	2,125	2,173	8,442	1,863	790	785	645	4,083	2,500	2,360
Stock-based Compensation	3,532	452	517	869	1,131	2,969	1,069	1,840	1,786	1,865	6,560	7,037	7,619
Compensation expense related to acquisition	1,428	200	1,175	750	86	2,211	84	-	-	-	84	-	-
Others (restructuring, write offs etc.)	1,141	685	820	151	2,909	4,565	4,113	8,079	-	-	12,192	-	-
Adjusted EBITDA	7,430	166	4,030	3,330	14,216	21,742	3,217	6,644	6,750	17,777	34,388	45,744	59,284
Y/Y Growth													
Revenue	10%	7%	9%	10%	20%	13%	23%	10%	19%	13%	15.6%	15%	15%
Cost of Revenue	-1%	-1%	9%	1%	17%	7%	16%	2%	11%	5%	8%	15%	15%
Gross Profit	16%	11%	9%	15%	22%	15%	26%	13%	21%	16%	18%	15%	15%
Sales and Marketing	7%	6%	32%	21%	5%	15%	20%	-8%	3%	3%	3%	5%	7%
Product Development	23%	3%	-8%	0%	-7%	-3%	-4%	-5%	5%	1%	-1%	11%	9%
General and Administrative	14%	15%	-1%	3%	13%	7%	-2%	3%	2%	2%	1%	9%	6%
Stock-based Compensation	0%	-28%	-50%	-7%	23%	-16%	137%	256%	106%	65%	121%	7%	8%
Total Operating Expenses	14%	6%	5%	7%	3%	5%	7%	0%	7%	4%	4%	8%	8%
Operating income	5%	NM	NM	NM	1044%	NM	NM	NM	NM	74%	NM	80%	56%
PF Operating income	7%	NM	NM	NM	426%	NM	NM	NM	NM	72%	NM	55%	45%
GAAP Net Income	52%	NM	NM	NM	NM	NM	NM	NM	NM	171%	NM	-500%	66%
GAAP EPS (Continuing Ops) Diluted	NM	NM	NM	NM	NM	NM	NM	NM	NM	110%	NM	-404%	61%
PF EPS Diluted	NM	NM	NM	NM	NM	NM	NM	NM	NM	11%	NM	111%	47%
Adjusted EBITDA	-7%	NM	129%	170%	141%	193%	1838%	65%	103%	25%	58.2%	33%	30%
Margins													
Cost of Revenue	29.3%	32.2%	29.1%	27.4%	24.6%	27.8%	30.5%	27.1%	25.7%	22.7%	26.0%	25.9%	26.0%
Gross Profit	70.7%	67.8%	70.9%	72.6%	75.4%	72.2%	69.5%	72.9%	74.4%	77.3%	74.0%	74.1%	74.0%
Sales and Marketing	27.5%	29.2%	31.6%	30.4%	23.5%	28.1%	28.5%	26.5%	26.3%	21.3%	25.1%	22.9%	21.4%
Product Development	32.4%	33.4%	28.9%	29.8%	22.6%	27.9%	28.0%	25.0%	26.5%	20.2%	23.9%	23.2%	22.0%
General and Administrative	17.1%	20.3%	15.4%	17.0%	14.2%	16.3%	16.1%	14.4%	14.6%	12.9%	14.3%	13.6%	12.5%
Stock-based Compensation	2.6%	1.5%	1.4%	2.5%	2.1%	1.9%	2.9%	4.5%	4.3%	3.1%	3.6%	3.4%	3.2%
Operating income	-8.8%	-16.7%	-6.4%	-7.1%	12.9%	-2.0%	-4.0%	2.6%	2.6%	19.9%	7.0%	11.0%	14.9%
PF Operating income	-6.3%	-15.2%	-5.0%	-4.6%	15.1%	-0.1%	-1.1%	7.2%	6.9%	23.0%	10.7%	14.4%	18.1%
Operating Leverage/Flow-through	-4.7%	83.2%	73.9%	63.3%	92.2%	82.5%	43.6%	70.9%	52.7%	50.4%	52.2%	42.2%	43.5%
Adjusted EBITDA	5.4%	0.5%	10.8%	9.5%	26.8%	14.0%	8.6%	16.3%	16.3%	29.6%	19.1%	22.1%	24.9%

Source: J.P. Morgan estimates Company data.

Figure 55: Everyday Health Revenue Analysis

	2012A	1Q13A	2Q13A	3Q13A	4Q13A	2013A	1Q14A	2Q14E	3Q14E	4Q14E	2014E	2015E	2016E
Advertising and Sponsorship	109,956	25,380	31,819	29,662	48,032	134,893	32,692	36,078	36,914	56,001	161,686	190,790	223,511
Premium Services	23,536	5,124	5,379	5,392	5,062	20,957	4,813	4,809	4,626	4,156	18,404	16,196	14,576
Video Production Fees	5,000	-	-	-	-	-	-	-	-	-	-	-	-
Revenue	138,492	30,504	37,198	35,054	53,094	155,850	37,505	40,887	41,541	60,157	180,090	206,985	238,087
Y/Y Growth													
Advertising and Sponsorship	14.3%	18.2%	27.7%	21.7%	22.5%	22.7%	28.8%	13.4%	24.5%	16.6%	19.9%	18.0%	17.2%
Premium Services	-20.4%	-19.0%	-16.6%	-8.5%	3.9%	-11.0%	-6.1%	-10.6%	-14.2%	-17.9%	-12.2%	-12.0%	-10.0%
Total Revenue	10.1%	6.9%	9.0%	10.4%	20.4%	12.5%	23.0%	9.9%	18.5%	13.3%	15.6%	14.9%	15.0%
% of Total													
Advertising and Sponsorship	79.4%	83.2%	85.5%	84.6%	90.5%	86.6%	87.2%	88.2%	88.9%	93.1%	89.8%	92.2%	93.9%
Premium Services	17.0%	16.8%	14.5%	15.4%	9.5%	13.4%	12.8%	11.8%	11.1%	6.9%	10.2%	7.8%	6.1%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Ad and Sponsorship Rev Breakdown													
Total Advertisers	339	184	185	179	182	321	166	168	170	175	308	308	314
Y/Y Growth	-3%	10%	-8%	-2%	-13%	-5%	-10%	-9%	-5%	-4%	-4%	0%	2%
% of Full Year Advertisers	100%	57%	58%	56%	57%	100%	54%	55%	55%	57%	100%		
Revs Per Advertiser	\$324.4	\$137.9	\$172.0	\$165.7	\$263.9	\$420.2	\$197.2	\$214.3	\$217.1	\$320.5	\$524.7	619.1	712.0
Y/Y Growth	18%	8%	38%	24%	41%	30%	43%	25%	31%	21%	25%	18%	15%
Advertising and Sponsorship Revenue	109,956	25,380	31,819	29,662	48,032	134,893	32,692	36,078	36,914	56,001	161,686	190,790	223,511
Y/Y Growth	14.3%	18.2%	27.7%	21.7%	22.5%	22.7%	28.8%	13.4%	24.5%	16.6%	19.9%	18.0%	17.2%
Avg Revenue Per Top 30 Advertiser	\$2,802					\$3,532							
Y/Y Growth	22%					26%							
Revenue from Top 30 Advertisers	\$84,060					\$105,960							
Y/Y Growth	22%					26%							
% of Total Revenue	76%					79%							
Contribution to Growth	109%					88%							

Source: J.P. Morgan estimates Company data.

Figure 56: Care.com Income Statement

	2012A	3/13A	6/13A	9/13A	12/13A	2013A	3/14A	6/14E	9/14E	12/14E	2014E	2015E	2016E
Consumer Matching Solutions Revenue	41,409	13,110	14,636	16,590	17,322	61,658	18,009	19,342	21,988	23,041	82,380	104,906	129,616
Payments Revenue	3,133	3,098	2,451	2,582	2,680	10,810	4,229	3,379	3,661	3,777	15,046	20,349	26,982
Other Revenue	3,951	1,954	2,046	2,509	2,509	9,019	3,032	3,274	3,739	3,838	13,884	22,075	31,788
Revenue	48,493	18,162	19,133	21,681	22,511	81,487	25,271	25,994	29,388	30,656	111,310	147,330	188,387
Cost of Revenue	10,051	4,186	4,557	5,117	4,802	18,662	5,696	5,407	5,819	5,825	22,746	29,245	36,735
Gross Profit	38,442	13,976	14,576	16,564	17,709	62,825	19,575	20,588	23,569	24,831	88,563	118,085	151,651
Operating Expenses													
Selling and marketing	35,547	12,853	12,236	18,498	11,298	54,885	20,299	18,196	22,923	13,182	74,600	73,665	84,422
Research and Development	7,449	2,613	2,825	2,786	3,317	11,541	3,944	4,185	4,496	4,629	17,255	22,247	27,693
General and Administrative	12,460	3,579	3,943	5,181	5,098	17,801	5,478	4,809	4,555	4,690	19,532	24,457	34,475
Depreciation and amortization	1,724	1,019	1,057	1,090	1,221	4,387	1,068	1,378	1,469	1,533	5,448	4,712	5,878
SBC	1,952	297	421	478	666	1,862	1,099	1,170	1,176	1,196	4,640	2,947	5,652
Total Operating Expenses	59,132	20,361	20,482	28,033	21,600	90,476	31,888	29,738	34,619	25,230	121,475	128,027	158,119
Operating Income	(20,690)	(6,385)	(5,906)	(11,469)	(3,891)	(27,651)	(12,313)	(9,150)	(11,050)	(399)	(32,911)	(9,942)	(6,468)
PF Operating Income	(18,738)	(6,088)	(5,485)	(10,991)	(3,225)	(25,789)	(11,214)	(7,980)	(9,874)	797	(28,401)	(6,995)	(816)
Other (expense) income, net	(47)	(127)	10	(201)	27	(291)	(2,746)	-	-	-	(2,746)	(200)	-
Pre-Tax Income	(20,737)	(6,512)	(5,896)	(11,670)	(3,864)	(27,942)	(15,059)	(9,150)	(11,050)	(399)	(35,657)	(10,142)	(6,468)
Provision for Income Taxes	317	(307)	(218)	(62)	233	4,387	(485)	329	398	14	257	-	-
Tax Rate	2%	-5%	-4%	-1%	6%	-1%	-3%	4%	4%	4%	1%	0%	0%
GAAP Net Income	(20,420)	(6,819)	(6,114)	(11,732)	(3,631)	(28,296)	(15,544)	(8,821)	(10,652)	(384)	(35,401)	(10,142)	(6,468)
Accretion of preferred stock	(48)	(14)	(14)	(14)	(15)	(57)	(4)	-	-	-	(4)	-	-
GAAP Net income attributable to common s	(20,468)	(6,833)	(6,128)	(11,746)	(3,646)	(28,353)	(15,548)	(8,821)	(10,652)	(384)	(35,405)	(10,142)	(6,468)
GAAP Basic EPS	(\$7.97)	(\$2.36)	(\$2.08)	(\$3.88)	(\$1.16)	(\$9.45)	(\$0.71)	(\$0.28)	(\$0.34)	(\$0.01)	(\$1.22)	(\$0.31)	(\$0.19)
GAAP Diluted EPS	(\$7.97)	(\$2.36)	(\$2.08)	(\$3.88)	(\$1.16)	(\$9.45)	(\$0.71)	(\$0.28)	(\$0.34)	(\$0.01)	(\$1.22)	(\$0.31)	(\$0.19)
Basic Shares	2,568	2,901	2,941	3,027	3,130	3,000	21,899	31,000	31,372	31,748	29,005	32,881	34,310
Diluted Shares	2,568	2,901	2,941	27,010	27,010	14,965	21,899	33,744	34,419	35,107	31,292	34,501	35,946
Preferred stock and warrant valuation adjustments		135					2,864				2,864		
PF Net Income	(17,681)	(6,252)	(5,553)	(10,268)	(2,360)	(24,568)	(11,277)	(7,651)	(9,477)	811	(27,593)	(7,195)	(816)
PF Basic EPS	(\$6.89)	(\$2.16)	(\$1.89)	(\$0.42)	(\$0.10)	(\$1.80)	(\$0.51)	(\$0.25)	(\$0.30)	\$0.03	(\$0.95)	(\$0.22)	(\$0.02)
PF Diluted EPS	(\$6.89)	(\$2.16)	(\$1.89)	(\$0.42)	(\$0.10)	(\$1.80)	(\$0.51)	(\$0.25)	(\$0.30)	\$0.02	(\$0.95)	(\$0.22)	(\$0.02)
Basic Shares	2,568	2,901	2,941	24,396	24,396	13,659	21,899	31,000	31,372	31,748	29,005	32,881	34,310
Diluted Shares	2,568	2,901	2,941	27,010	27,010	14,965	21,899	33,744	34,419	35,107	31,292	34,501	35,946
Reconciliation of adj. EBITDA													
Operating Income	(20,690)	(6,385)	(5,906)	(11,469)	(3,891)	(27,651)	(12,313)	(9,150)	(11,050)	(399)	(32,911)	(9,942)	(6,468)
SBC	1,952	297	421	478	666	1,862	1,099	1,170	1,176	1,196	4,640	2,947	5,652
Total Depreciation and Amortization (including	2,440	1,666	1,700	1,801	1,535	6,702	1,261	1,404	1,499	1,563	5,727	4,862	6,028
Accretion of contingent consideration	239	135	140	148	138	561	73				73		
IPO related costs	-	-	-	838	467	1,305	154				154		
Merger and acquisition related costs	548	-	-	-	-	-	77				77		
Adjusted EBITDA	(15,511)	(4,287)	(3,645)	(8,204)	(1,085)	(17,221)	(9,649)	(6,577)	(8,376)	2,361	(22,241)	(2,134)	5,212
Y/Y Growth													
Consumer Matching Solutions Revenue		57.0%	52.8%	44.8%	44.1%	48.9%	37.4%	32.2%	32.5%	33.0%	33.6%	27.3%	23.6%
Payments Revenue		NM	NM	129.3%	33.5%	245.1%	36.5%	37.9%	41.8%	40.9%	39.2%	35.2%	32.6%
Other Revenue		837.9%	817.4%	54.5%	32.4%	128.3%	55.2%	60.0%	49.0%	53.0%	53.9%	59.0%	44.0%
Revenue	86.5%	112.2%	95.2%	52.6%	41.3%	68.0%	39.1%	35.9%	35.5%	36.2%	36.6%	32.4%	27.9%
Cost of Revenue	62.0%	93.4%	99.6%	91.5%	63.8%	85.7%	36.1%	18.6%	13.7%	21.3%	21.9%	28.6%	25.6%
Gross Profit	94.1%	118.6%	93.9%	43.6%	36.3%	63.4%	40.1%	41.2%	42.3%	40.2%	41.0%	33.3%	28.4%
Selling and marketing	60.0%	52.0%	88.7%	45.9%	42.5%	54.4%	57.9%	48.7%	23.9%	16.7%	35.9%	-1.3%	14.6%
Research and Development	63.0%	71.7%	64.5%	35.5%	54.0%	54.9%	50.9%	48.1%	61.4%	39.6%	49.5%	28.9%	24.5%
General and Administrative	180.2%	103.5%	65.6%	41.9%	9.2%	42.9%	53.1%	22.0%	-12.1%	-8.0%	9.7%	25.2%	41.0%
Depreciation and amortization	896.5%	1787.0%	1577.8%	62.9%	30.2%	154.5%	4.8%	30.3%	34.8%	25.5%	24.2%	-13.5%	24.8%
SBC	269.7%	66.9%	113.7%	-64.5%	188.3%	-4.6%	270.0%	177.9%	145.9%	79.5%	149.2%	-36.5%	91.8%
Total Operating Expenses	85.2%	70.1%	88.9%	37.4%	35.7%	53.0%	56.6%	45.2%	23.5%	16.8%	34.3%	5.4%	23.5%
Operating Income	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
PF Operating Income	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net Income	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net income attributable to common stockholder	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
GAAP EPS	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
PF Net Income	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
PF EPS	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Adjusted EBITDA	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Margins													
Cost of Revenue	20.7%	23.0%	23.8%	23.6%	21.3%	22.9%	22.5%	20.8%	19.8%	19.0%	20.4%	19.9%	19.5%
Gross Profit	79.3%	77.0%	76.2%	76.4%	78.7%	77.1%	77.5%	79.2%	80.2%	81.0%	79.6%	80.2%	80.5%
Selling and marketing	73.3%	70.8%	64.0%	85.3%	50.2%	67.4%	80.3%	70.0%	78.0%	43.0%	67.0%	50.0%	44.8%
Research and Development	15.4%	14.4%	14.8%	12.8%	14.7%	14.2%	15.6%	16.1%	15.3%	15.1%	15.5%	15.1%	14.7%
General and Administrative	25.7%	19.7%	20.6%	23.9%	22.6%	21.8%	21.7%	18.5%	15.5%	15.3%	17.5%	16.6%	18.3%
D&A - Income Statement	3.6%	5.6%	5.5%	5.0%	5.4%	5.4%	4.2%	5.3%	5.0%	5.0%	4.9%	3.2%	3.1%
SBC	4.0%	1.6%	2.2%	2.2%	3.0%	2.3%	4.3%	4.5%	4.0%	3.9%	4.2%	2.0%	3.0%
Total Operating Expenses	121.9%	112.1%	107.1%	129.3%	96.0%	111.0%	126.2%	114.4%	117.8%	82.3%	109.1%	86.9%	83.9%
Operating Income	-42.7%	-35.2%	-30.9%	-52.9%	-17.3%	-33.9%	-48.7%	-35.2%	-37.6%	-1.3%	-29.6%	-6.7%	-3.4%
PF Operating Income	-38.6%	-33.5%	-28.7%	-50.7%	-14.3%	-31.6%	-44.4%	-30.7%	-33.6%	2.6%	-25.4%	-4.7%	-0.4%
Net Income	-42.1%	-37.5%	-32.0%	-54.1%	-16.1%	-34.7%	-61.5%	-33.9%	-36.2%	-1.3%	-31.8%	-6.9%	-3.4%
Net Income Available to Shareholders	-42.2%	-37.6%	-32.0%	-54.2%	-16.2%	-34.8%	-61.5%	-33.9%	-36.2%	-1.3%	-31.8%	-6.9%	-3.4%
GAAP EPS	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
PF Net Income	-36.5%	-34.4%	-29.0%	-47.4%	-10.5%	-30.1%	-44.6%	-29.4%	-32.2%	2.6%	-24.8%	-4.9%	-0.4%
PF EPS	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
D&A - EBITDA Calc	5.0%	9.2%	8.9%	8.3%	6.8%	8.2%	5.0%	5.4%	5.1%	5.1%	5.1%	3.3%	3.2%
Adjusted EBITDA	-32.0%	-23.6%	-19.1%	-37.8%	-4.8%	-21.1%	-38.2%	-25.3%	-28.5%	7.7%	-20.0%	-1.4%	2.8%

Source: J.P. Morgan estimates Company data.

Figure 57: Care.com Revenue Analysis

	2012A	3/13A	6/13A	9/13A	12/13A	2013A	3/14A	6/14E	9/14E	12/14E	2014E	2015E	2016E
US Matching													
Beginning Paying Members	77,859	122,935	146,234	152,064	179,670	122,935	160,000	190,820	195,274	225,465	160,000	204,417	252,336
Gross Additions	330,057	95,390	90,577	125,472	85,218	396,657	117,330	108,692	150,566	104,818	481,406	578,554	690,215
Y/Y Growth %	NM	22%	25%	15%	21%	20%	23%	20%	20%	23%	21%	20%	19%
Q/Q Growth %		35%	-5%	39%	-32%		38%	-7%	39%	-30%			
Losses	(284,981)	(72,091)	(84,747)	(97,866)	(104,888)	(359,592)	(86,509)	(104,239)	(120,375)	(125,866)	(436,989)	(530,635)	(638,885)
Y/Y Growth %	NM	20%	30%	25%	29%	26%	20%	23%	23%	20%	22%	21%	20%
Q/Q Growth %		-11%	18%	15%	7%		-18%	20%	15%	5%			
Churn	24%	18%	19%	20%	21%	21%	16%	18%	19%	20%	20%	19%	19%
Total Ending Paying Members	122,935	146,234	152,064	179,670	160,000	160,000	190,820	195,274	225,465	204,417	204,417	252,336	303,666
Y/Y Growth %	58%	52%	47%	34%	30%	30%	30%	28%	25%	28%	28%	23%	20%
Q/Q Growth %		19%	4%	18%	-11%		19%	2%	15%	-9%			
Net Additions	45,076	23,299	5,830	27,606	(19,670)	37,065	30,821	4,454	30,191	(21,048)	44,417	47,919	51,330
Y/Y Growth %	NM	28%	-18%	-10%	81%	-18%	32%	-24%	9%	7%	20%	8%	7%
Average Paying Member	100,397	134,585	149,149	165,867	169,835	141,467	175,410	193,047	210,369	214,941	182,208	228,376	278,001
Y/Y Growth %	NM	55%	50%	40%	32%	41%	30%	29%	27%	27%	29%	25%	22%
Total Length of Stay	5.7	6.8	6.4	6.4									
Re-Use Rate		40%	40%	40%		52%							
Initial Length of Stay	4.1	4.9	4.5	4.6									
Monthly ARPU	\$34.37	\$32.47	\$32.71	\$33.34	\$34.00	\$36.32	\$34.22	\$33.40	\$34.84	\$35.73	\$37.68	\$38.28	\$38.85
Y/Y Growth %	NM	1%	2%	3%	9%	6%	5%	2%	5%	5%	4%	2%	2%
Q/Q Growth %		4%	1%	2%	2%		1%	-2%	4%	3%			
US Matching Revenue													
Y/Y Growth %	64%	57%	53%	45%	44%	49%	37%	32%	33%	33%	34%	27%	24%
Q/Q Growth %		9%	12%	13%	4%		4%	7%	14%	5%			
% of Total Revenue	85%	72%	76%	77%	77%	76%	71%	74%	75%	75%	74%	71%	69%
Seasonality	100%	21%	24%	27%	28%	100%	22%	23%	27%	28%	100%		
Paying Member Acquisition Cost	67	86	81	110		88							
Y/Y Growth %	NM	16%	53%	43%		31%							
Total Paying Member Acquisition Spend	21,965	8,204	7,337	13,802		34,906							
Y/Y Growth %	NM	42%	91%	64%		59%							
Payments													
Beginning Paying Members	7,265	8,502	9,435	9,841	10,596	8,502	11,039	12,597	13,315	14,420	11,039	14,982	19,863
Gross Additions	3,473	1,383	1,150	1,532	1,157	5,222	2,282	1,610	2,068	1,446	7,406	9,073	10,914
Y/Y Growth %	NM	33%	72%	47%	60%	50%	65%	40%	35%	25%	42%	23%	20%
Q/Q Growth %		91%	-17%	33%	-24%		97%	-29%	28%	-30%			
Losses	(2,349)	(641)	(719)	(777)	(713)	(2,850)	(724)	(892)	(963)	(885)	(3,464)	(4,191)	(5,030)
Y/Y Growth %	NM	18%	22%	29%	16%	21%	13%	24%	24%	24%	22%	21%	20%
Q/Q Growth %		4%	12%	8%	-8%		2%	23%	8%	-8%			
Churn	2%	2%	2%	3%	2%	2%	2%	2%	2%	2%	2%	2%	2%
Total Ending Paying Members	8,479	9,244	9,866	10,596	11,039	11,039	12,597	13,315	14,420	14,982	14,982	19,863	25,747
Y/Y Growth %	17%	19%	22%	24%	30%	30.2%	36%	35%	36%	36%	36%	33%	30%
Q/Q Growth %		9%	7%	7%	4%		14%	6%	8%	4%			
Net Additions	1,124	742	431	755	443	2,371	1,558	718	1,105	561	3,942	4,881	5,885
Y/Y Growth %	NM	49%	419%	73%	311%	111%	110%	67%	46%	27%	66%	24%	21%
Average Paying Member	7,872	8,873	9,651	10,219	10,818	9,770.7	11,818	12,956	13,868	14,701	13,010	17,422	22,805
Y/Y Growth %	NM	18%	20%	23%	28%	24%	33%	34%	36%	36%	33%	34%	31%
Total Length of Stay	41.0	41.0	40.0	39.0		41.0							
Monthly ARPU	\$33.16	\$116.38	\$84.64	\$84.21	\$82.58	\$92.20	\$119.29	\$86.93	\$88.00	\$85.63	\$96.37	\$97.33	\$98.60
Y/Y Growth %	NM	NM	NM	87%	4%	178%	2%	3%	5%	4%	5%	1%	1%
Q/Q Growth %		47%	-27%	-1%	-2%		44%	-27%	1%	-3%			
Payments Revenue													
Y/Y Growth %	NM	NM	NM	129%	34%	245%	37%	38%	42%	41%	39%	35%	33%
Q/Q Growth %		54%	-21%	5%	4%		58%	-20%	8%	3%			
% of Total Revenue	6%	17%	13%	12%	12%	13%	17%	13%	12%	12%	14%	14%	14%
Seasonality	100%	29%	23%	24%	25%	100%	28%	22%	24%	25%	100%		
Paying Member Acquisition Cost	19	51	70	214		177							
Y/Y Growth %	NM	NM	NM	1238%									
Total Paying Member Acquisition Spend	66	71	81	328		924							
Y/Y Growth %	NM	NM	NM	1872%		1305%							
Other Revenue													
Y/Y Growth %	460%	838%	817%	54%	32%	128%	55%	60%	49%	53%	54%	59%	44%
Q/Q Growth %		3%	5%	23%	0%		21%	8%	14%	3%			
% of Total Revenue	8%	11%	11%	12%	11%	11%	12%	13%	13%	13%	12%	15%	17%
Total Revenue	48,493	18,162	19,133	21,681	22,511	81,487	25,271	25,994	29,388	30,656	111,310	147,330	188,387
Y/Y Growth %	86%	112%	95%	53%	41%	68%	39%	36%	36%	37%	54%	32%	28%
Organic Revenue	42,459	13,200	14,800	21,681	22,511	72,192	25,271	25,994	29,388	30,656	111,310	147,330	188,387
Y/Y Growth %	63%	54%	51%	53%	41%	49%	39%	36%	36%	36%	54%	32%	28%

Source: J.P. Morgan estimates Company data.

Figure 58: ReachLocal Income Statement

	2012A	3/13A	6/13A	9/13A	12/13A	2013A	3/14A	6/14E	9/14E	12/14E	2014E	2015E	2016E
Local	359.1	97.4	101.1	105.9	106.0	410.3	98.6	94.9	99.4	107.6	402.8	452.2	505.1
NBAR	95.8	24.2	25.7	26.9	26.9	103.8	26.2	27.5	29.9	30.4	114.0	122.0	128.3
Revenue	455.0	121.6	126.8	132.8	132.9	514.1	124.7	122.4	129.3	138.1	514.6	574.2	633.5
Cost of revenue	217.1	61.0	63.4	65.9	65.4	255.8	63.1	63.1	65.6	69.0	260.8	285.9	311.0
Gross Profit	237.8	60.6	63.3	66.9	67.5	258.3	61.6	59.4	63.8	69.0	253.8	288.2	322.4
Sales and marketing	162.4	42.8	44.4	46.6	46.0	179.8	45.9	47.1	48.1	51.1	192.2	205.0	221.8
Product and technology	17.8	5.7	5.2	5.4	5.3	21.6	6.6	7.3	7.2	7.5	28.6	29.3	29.8
General and administrative	34.2	7.7	8.4	9.2	13.9	39.2	11.1	11.6	12.0	12.6	47.4	48.2	51.3
Restructuring charges	0.0	0.0	0.0	0.0	0.0	0.0	1.8				1.8		
SBC	9.5	2.7	2.4	3.1	3.3	11.5	4.6	4.8	5.0	5.2	19.6	15.5	17.0
Total OpEx	223.9	58.8	60.4	64.3	68.6	252.2	70.0	70.9	72.4	76.3	289.6	298.0	319.8
Operating Income (loss)	13.9	1.8	2.9	2.6	(1.1)	6.2	(8.4)	(11.5)	(8.6)	(7.3)	(35.8)	(9.8)	2.6
PF Operating Income (loss)	25.0	4.2	4.8	5.4	(0.5)	13.8	(4.3)	(8.2)	(5.2)	(3.7)	(21.4)	0.9	14.2
Taxes	(1.3)	(1.7)	(1.7)	(2.1)	1.7	(3.7)	1.9	(4.3)	(3.2)	(2.7)	(8.3)	(3.9)	1.0
Other, net	0.6	0.2	0.1	0.2	0.1	0.6	0.2	0.1	0.2	0.1	0.5	0.5	0.5
Tax Rate		NM	NM	NM	NM	NM	NM	37%	37%	37%	23%	40%	40%
Net Income (loss) from continuing operations	13.3	0.4	1.3	0.7	0.7	3.1	(6.3)	(15.7)	(11.6)	(9.9)	(43.2)	(13.1)	4.2
Loss from discontinued operations, net	(4.4)	(1.0)	(1.5)	(1.8)	(1.3)	(5.5)	0.3	-	-	-	0.340	-	-
Net Income (loss)	8.9	(0.6)	(0.1)	(1.1)	(0.6)	(2.5)	(6.0)	(15.7)	(11.6)	(9.9)	(43.2)	(13.1)	4.2
Basic EPS	\$0.31	(\$0.02)	(\$0.01)	(\$0.04)	(\$0.02)	(\$0.09)	(\$0.21)	(\$0.56)	(\$0.42)	(\$0.36)	(\$1.55)	(\$0.46)	\$0.15
Diluted EPS	\$0.30	(\$0.02)	(\$0.00)	(\$0.04)	(\$0.02)	(\$0.09)	(\$0.21)	(\$0.52)	(\$0.40)	(\$0.34)	(\$1.49)	(\$0.45)	\$0.14
Basic Shares (In thousands)	28.5	28.1	27.9	27.5	27.2	27.7	28.1	28.2	27.8	27.7	27.9	28.2	28.5
Diluted Shares (In thousands)	29.1	29.5	29.7	28.6	28.4	29.1	28.1	30.0	28.9	28.7	28.9	29.2	29.5
Non-GAAP Net Income calc													
Add back Amortization	1.4	(0.3)	(0.5)	(0.4)	(2.2)	(3.5)	(0.6)	0.5	0.4	0.4	0.8	2.2	2.4
Add back SBC	9.5	2.7	2.4	3.1	3.3	11.5	4.6	4.8	5.0	5.2	19.6	15.5	17.0
Acquisition related costs	2.1	0.4	0.3	0.3	0.3	1.2	0.2	-	-	-	0.2	-	-
Loss from discontinued operations, net	4.4	1.0	1.5	1.8	1.3	5.5	(0.3)	-	-	-	(0.3)	-	-
Tax-adjust	0.2	0.0	0.0	0.1	(0.6)	(0.4)	0.0	(2.0)	(2.0)	(2.1)	(6.0)	(7.1)	(7.8)
Non-GAAP Net Income	26.4	3.1	3.5	3.7	1.6	11.9	(2.004)	(12.4)	(8.2)	(6.3)	(28.9)	(2.5)	15.8
Non-GAAP Basic EPS	\$0.93	\$0.13	\$0.13	\$0.13	\$0.06	\$0.43	(\$0.07)	(\$0.44)	(\$0.30)	(\$0.23)	(\$1.03)	(\$0.09)	\$0.55
Non-GAAP Diluted EPS	\$0.85	\$0.13	\$0.11	\$0.12	\$0.05	\$0.42	(\$0.07)	(\$0.44)	(\$0.30)	(\$0.23)	(\$1.03)	(\$0.09)	\$0.54
PF Basic Shares (in thousands)	28.8	23.7	27.9	27.5	27.4	26.6	28.1	28.2	27.8	27.7	27.9	28.2	28.5
PF Diluted Shares (in thousands)	31.0	23.7	31.3	30.3	28.4	28.4	28.1	30.0	28.9	28.7	28.9	29.2	29.5
D&A	13.6	3.9	3.8	3.7	3.7	15.1	4.2	4.8	4.4	4.4	17.8	22.0	24.0
SBC	9.5	2.7	2.4	3.1	3.3	11.5	4.6	4.8	5.0	5.2	19.6	15.5	17.0
Acquisition and integration costs	0.0	-	-	-	0.0	0.0	1.8	-	-	-	1.8	-	-
Adjusted EBITDA	37.1	8.3	9.0	9.4	6.0	32.8	2.3	(1.9)	0.8	2.3	3.4	27.7	43.6
Y/Y Growth													
Revenue	21%	17%	13%	12%	11%	13.0%	2.6%	-3.4%	-2.6%	3.9%	0.1%	11.6%	10.3%
Cost of revenue	14%	41%	15%	12%	10%	17.8%	3.5%	-0.6%	-0.5%	5.5%	2.0%	9.6%	8.8%
Gross Profit	29%	0%	11%	12%	11%	8.6%	1.6%	-6.2%	-4.7%	2.3%	-1.8%	13.6%	11.9%
Sales and marketing	16%	13%	11%	13%	6%	10.7%	7.1%	6.2%	3.3%	11.0%	6.9%	6.6%	8.2%
Product and technology	15%	47%	26%	13%	6%	21.5%	16.1%	40.7%	33.7%	40.4%	32.4%	2.3%	1.7%
General and administrative	3%	-8%	-4%	10%	59%	14.7%	45.0%	38.2%	30.8%	-9.8%	20.7%	1.9%	6.4%
Total OpEx	19%	13%	10%	13%	15%	12.6%	18.9%	17.3%	12.5%	11.3%	14.8%	2.9%	7.3%
Operating Income (loss)	NM	-79%	75%	2%	-198%	-55.8%	-569.9%	-500.6%	-434.8%	NM	-680.7%	NM	NM
PF Operating Income (loss)	162%	-63%	12%	-3%	-113%	-44.9%	-203.5%	-271.5%	-196.9%	NM	-255.6%	NM	1551.3%
Net Income (loss)	NM	-108%	-133%	-234%	NM	-128.0%	NM	NM	NM	NM	NM	NM	NM
Non-GAAP Net Income	171%	-73%	-21%	-37%	-65%	-55.0%	-164.0%	-453.3%	-321.9%	-508.0%	-343.3%	NM	NM
Adjusted EBITDA	130%	-39%	29%	10%	-22%	-11.5%	-72.9%	NM	-91.7%	-61.1%	-89.5%	707.7%	57.1%
Non-GAAP Basic EPS	175%	-67%	-20%	-33%	-64%	-53.7%	NM	NM	NM	NM	NM	NM	NM
Non-GAAP Diluted EPS	171%	-62%	-27%	-39%	-64%	-51.0%	NM	NM	NM	NM	NM	NM	NM
% of Revenue													
Cost of revenue	47.7%	50.2%	50.1%	49.6%	49.2%	49.8%	50.6%	51.5%	50.7%	50.0%	50.7%	49.8%	49.1%
Gross Profit	52.3%	49.8%	49.9%	50.4%	50.8%	50.2%	49.4%	48.5%	49.3%	50.0%	49.3%	50.2%	50.9%
Sales and marketing	35.7%	35.2%	35.0%	35.1%	34.6%	35.0%	36.8%	38.5%	37.2%	37.0%	37.4%	35.7%	35.0%
Commissions	10.8%	10.7%	11.4%	11.1%	9.7%	10.7%	10.6%	11.5%	11.2%	11.1%	11.1%	11.4%	11.6%
Other S&M	14.9%	15.1%	14.7%	14.3%	15.0%	14.7%	26.2%	27.0%	26.0%	25.9%	26.3%	24.3%	23.4%
Product and technology	3.9%	4.7%	4.1%	4.1%	4.0%	4.2%	5.3%	6.0%	5.6%	5.4%	5.6%	5.1%	4.7%
General and administrative	7.5%	6.3%	6.6%	6.9%	10.5%	7.6%	8.9%	9.5%	9.3%	9.1%	9.2%	8.4%	8.1%
Total OpEx	49.2%	48.4%	47.7%	48.4%	51.6%	49.1%	56.1%	57.9%	56.0%	55.3%	56.3%	51.9%	50.5%
Operating Income (loss)	3.1%	1.5%	2.3%	1.9%	-0.8%	1.2%	-6.7%	-9.4%	-6.7%	-5.3%	-7.0%	-1.7%	0.4%
PF Operating Income (loss)	5.5%	3.4%	3.8%	4.0%	-0.4%	2.7%	-3.5%	-6.7%	-4.0%	-2.7%	-4.2%	0.2%	2.2%
Net Income (loss)	1.9%	-0.5%	-0.1%	-0.8%	-0.4%	-0.5%	-4.8%	-12.8%	-9.0%	-7.2%	-8.4%	-2.3%	0.7%
Non-GAAP Net Income	5.8%	2.6%	2.8%	2.8%	1.2%	2.3%	-1.6%	-10.1%	-6.3%	-4.6%	-5.6%	-0.4%	2.5%
Adjusted EBITDA	8.1%	6.9%	7.1%	7.1%	4.5%	6.4%	1.8%	-1.6%	0.6%	1.7%	0.7%	4.8%	6.9%

Source: J.P. Morgan estimates Company data.

Figure 59: ReachLocal Revenue Analysis

	2012A	3/13A	6/13A	9/13A	12/13A	2013A	3/14A	6/14E	9/14E	12/14E	2014E	2015E	2016E
Salesforce													
Underclassmen	426	412	417	517	482	457							
Y/Y Growth	-3%	-1%	-3%	15%	19%	7%							
Q/Q Growth		2%	1%	24%	-7%								
Upperclassmen	401	419	459	440	442	440							
Y/Y Growth	19%	10%	16%	8%	5%	10%							
Q/Q Growth		0%	10%	-4%	0%								
Local Salesforce	827	831	876	957	924	897	830	841	884	926	870	922	957
Y/Y Growth	6%	4%	6%	12%	12%	8%	0%	-4%	-8%	0%	-3%	6%	4%
Q/Q Growth		1%	5%	9%	-3%		-10%	1%	5%	5%			
Total salesforce: New	49	7	45	81	-33	70	-94	11	43	43	-27	52	34
Salesforce productivity (annual \$k)	434	469	461	443	459	457	450	455	461	476	463	504	538
Y/Y Growth		14%	8%	2%	-1%	5%	-4%	-2%	4%	4%	1%	9%	7%
Q/Q Growth		1%	-2%	-4%	4%		-2%	1%	1%	3%			
Implied Local Revenue	357.7	97.0	98.5	101.4	107.9	404.7	98.6	94.9	99.4	107.6	400.6	452.2	505.1
Total Local Revenue	359.1	97.4	101.1	105.9	106.0	410.3	98.6	94.9	99.4	107.6	402.8	452.2	505.1
Y/Y Growth	23%	19%	15%	13%	11%	14%	1%	-6%	-6%	2%	-2%	12%	12%
Q/Q Growth		2%	4%	5%	0%		-7%	-4%	5%	8%			
NBAR Revenue	95.8	24.2	25.7	26.9	26.9	103.8	26.2	27.5	29.9	30.4	114.0	122.0	128.3
Y/Y Growth	14%	9%	7%	6%	11%	8%	8%	7%	11%	13%	10%	7%	5%
Q/Q Growth		0%	6%	5%	0%		-3%	5%	9%	2%			
TOTAL REVENUE	455.0	121.6	126.8	132.8	132.9	514.1	124.7	122.4	129.3	138.1	516.8	574.2	633.5
Y/Y Growth	21%	17%	13%	12%	11%	13%	3%	-3%	-3%	4%	1%	11%	10%
Q/Q Growth		1%	4%	5%	0%		-6%	-2%	6%	7%			
Revenue Mix													
Local	79%	80%	80%	80%	80%	80%	79%	78%	77%	78%	78%	79%	80%
NBAR	21%	20%	20%	20%	20%	20%	21%	22%	23%	22%	22%	21%	20%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Source: J.P. Morgan estimates Company data.

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